

# Cloud Stories Q1 2023: Insights into the performance of AWS, MIC, GCP and Oracle Cloud

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## Key Takeaways

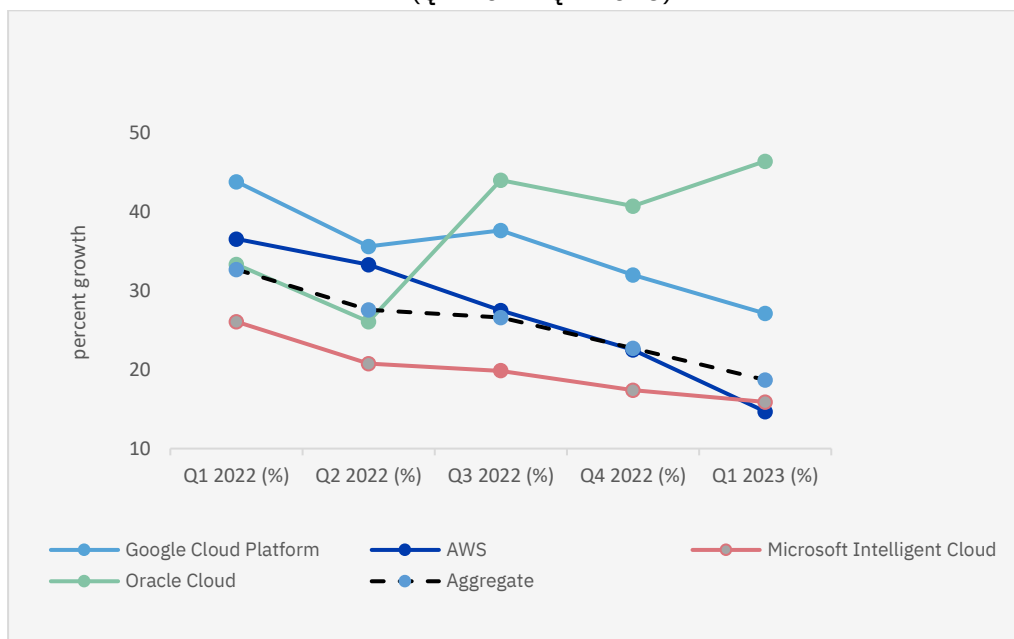
1. In Q1 2023, Cloud Providers saw slower growth attributed to economic challenges and pricing pressure. The aggregate growth rate of the four players was 18.7 percent, significantly lower than the 32.7 percent YoY growth witnessed in Q1 2022.
2. The collective combined cloud revenue for the four players surged from US\$46.1 billion to US\$54.7 billion.
3. Cloud revenue constituted an average of 20.8 percent of the total revenues of the four players signifying the growing importance of the business to the overall portfolio.
4. Google Cloud Platform (GCP) achieved its first-ever profitable quarter. It intensified customer-focused initiatives and introduced new licensing options called flex agreements allowing customers to migrate to cloud with no upfront commitments.
5. AWS, a primary category creator in the cloud market, contends with pricing pressure and the challenge of price-sensitive customers, impacting its growth.
6. The growth rate for AWS in Q1 2023 exhibited a notable deceleration, marking a contrast to the 36 percent growth observed in Q1 2022.
7. Microsoft Intelligent Cloud (MIC) reported a YoY growth of 15.9 percent driven by increased revenue from server products, cloud services, and enterprise services.
8. Oracle Cloud experienced remarkable YoY growth of 46.4 percent in Q1 2023 by leveraging its robust software cloud capabilities.
9. APAC region is emerging as a new battleground for cloud service providers, with companies starting operations in new markets such as Japan, Thailand, India, New Zealand, and Australia.

## Assumptions

- The data collected from the company websites and financial reports of the four cloud service providers is accurate and reliable.
- The performance of the cloud service providers in Q1 2023 is indicative of their overall performance and can be used to predict future trends in the market.
- The report covers the first quarter of 2023 for each of the four cloud service providers. Notably, Oracle's fiscal year concludes in May. To align their reporting cycle with the calendar year, Q3 FY2023 is considered equivalent to Q1 CY2023.
- Revenue figures for the previous quarter may not align precisely with the corresponding figures in the previous quarterly report, primarily due to the focus on Microsoft Intelligent Cloud (MIC), which encompasses Azure and other associated services.
- In our analysis, we have focused on Google Cloud Platform (GCP), which is a part of Google's overall revenue reported under Google Cloud. Google Cloud encompasses Google Workspace, GCP, data and analytics platforms, infrastructure, collaboration tools, and other enterprise cloud services. It is worth noting that Google does not report GCP's revenue separately, but rather as part of the overall Google Cloud segment.

## Exhibit -1

### Revenue growth rate of cloud service providers (Q1 2022-Q1 2023)



Source: twimbit analysis, company reports

## Exhibit 2

### Key financial metrics of cloud service providers (Q1 2022- Q1 2023)

Cloud Providers	Q1 2023 (US\$ bn)	Q4 2022 (US\$ bn)	Q1 2022 (US\$ bn)	% change YoY	% change QoQ	% of cloud revenue to total revenue
Google Cloud Platform	7.4	7.3	5.8	27.5 ▲	1.0 ▲	10.6
AWS	21.4	21.3	18.4	14.8 ▲	1.0 ▼	16.6
Microsoft Intelligent Cloud*	22.0	21.5	19.0	15.9 ▲	2.6 ▲	41.8
Oracle Cloud	4.1	3.8	2.8	46.4 ▲	7.8 ▲	33.1

\*includes Azure and other cloud services, excluding office 365, LinkedIn, dynamics 365, etc

Source: twimbit analysis, company reports

# Google Cloud Platform

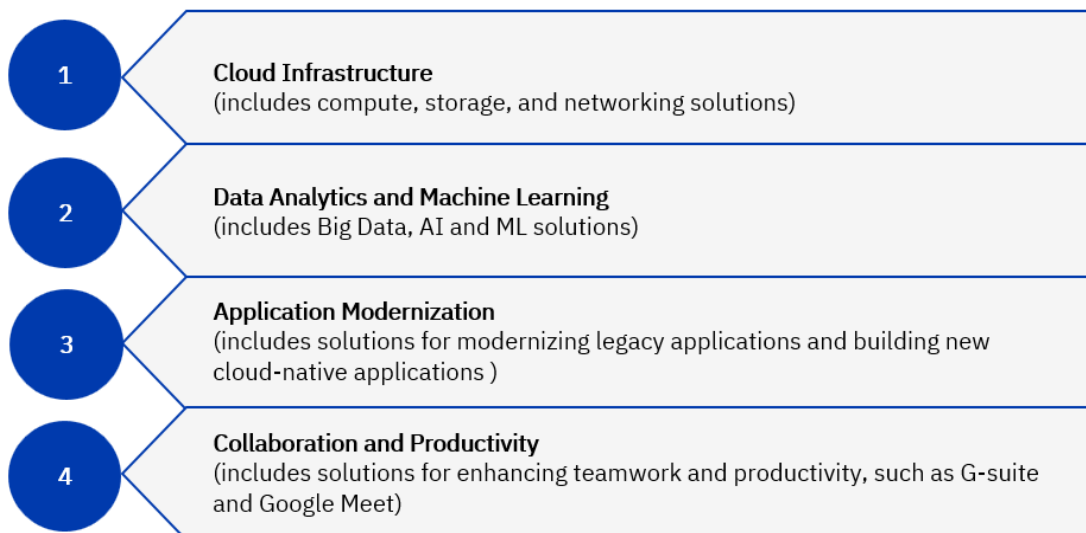


We are pleased with our business performance in the first quarter, with Search performing well and momentum in Cloud. We introduced important product updates anchored in deep computer science and AI. Our North Star is providing the most helpful answers for our users, and we see huge opportunities ahead, continuing our long track record of innovation.

~Sundar Pichai, CEO, Alphabet

## Overview

- GCP's focused strategy and enhanced capabilities has positioned it as one of the leading players in the cloud market. In Q1 2023, GCP achieved a significant milestone by reporting its first-ever profitable quarter, with a revenue of US\$7.4 billion, representing a YoY growth of 27.5 percent.
- Google adopts an aggressive approach, offering free credits, aggressive discounts, and price flexibility. GCP introduced flex agreements, enabling customers to establish relationships without upfront commitments. Additionally, GCP extended free trial periods, providing ample time for potential customers to explore its services.
- Google Cloud's strength lies in its expertise in multi-cloud management, open-source foundation, and engineering culture. Despite entering the market later, GCP offers industry-specific solutions, particularly in healthcare, showcasing its commitment to tailored solutions that meet diverse customer needs.
- Google has identified four key priority areas for them to expand the cloud business:

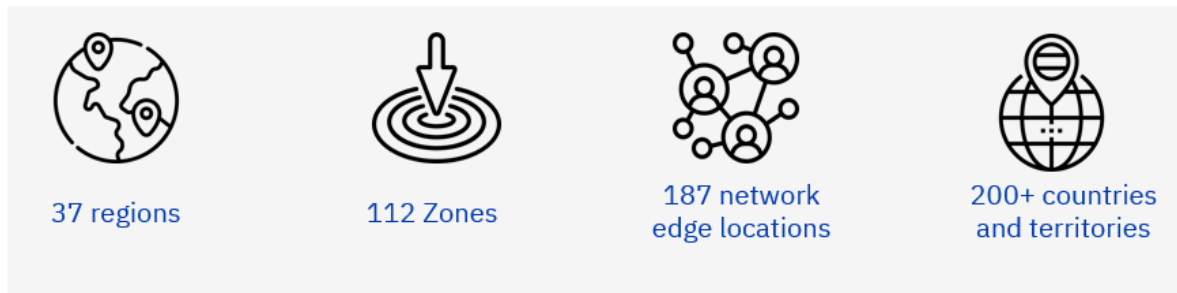


## Regional Presence

- Expand global presence targeting Middle East, Africa, and Asia-Pacific
- Operates 37 regions globally, with plans to introduce 14 additional regions. New regions include Germany, Saudi Arabia, Mexico, Malaysia, Thailand, New Zealand, Greece, Norway, South Africa, Austria, and Sweden.
- Strengthening its presence in the Middle East with two availability regions in Tel Aviv and Doha, meeting the increasing cloud demands of Qatar's government and enterprises.
- Focus on Asia-Pacific region by strategically targeting the high growth markets such as Malaysia, Thailand, and New Zealand.

### Exhibit- 3

#### Google Cloud Regions



[Source: company website](#)

### Product Announcements

- Google Cloud Security AI Workbench: A specialized platform with advanced security intelligence to address top security challenges.
- In January 2023, Google Cloud launched four innovative AI technologies to revolutionize retailers' in-store shelf-checking processes and elevate their ecommerce platforms.
- Google Cloud has announced the release of three new telecom products:
  - Telecom Automation: Automate 5G network deployment, operation and management tasks, such as configuration, provisioning, and monitoring.
  - Telecom Data Fabric: Data management and analytics platform that allows unifying data from multiple sources and applications across multiple clouds and data lakes.
  - Telecom Subscriber Insights: Predictive analytics and insights into subscriber behaviour and network performance.

- Additionally, it is providing CSPs the ability to deploy cloud-native networks in a hybrid cloud environment by enhancing Google Distributed Edge cloud infrastructure. The upgrade allows Google Cloud's infrastructure to extend to the far edge of radio access networks and 5G core networks, enabling greater reach and flexibility.

## Partnerships

	<ul style="list-style-type: none"> <li>• In March 2023, Proximus and Google, announced a five-year agreement to deliver the sovereign cloud services in Belgium and Luxembourg.</li> <li>• The collaboration focuses on deploying critical workloads, and provide digital sovereignty controls for governments, regulated enterprises, and international organizations</li> </ul>
	<ul style="list-style-type: none"> <li>• In February 2023, partnered with Starhub to support the creation of an open, secure, scalable, and energy-efficient cloud-native network for enterprises in Singapore.</li> <li>• The collaboration includes piloting Google Distributed Cloud Edge (GDC Edge) and Nokia 5G standalone core to establish software- based 5G cloud core network.</li> </ul>

## AWS



**It's possible that AWS could become the largest business at Amazon. Essentially, IT is going to move to the cloud. And it's going to take a while. You've seen maybe only, call it 10% of IT today move. So, it's still day 1. It's still early. ... Most of it's still yet to come.**

**~ Adam Selipsky, CEO, AWS**

## Overview

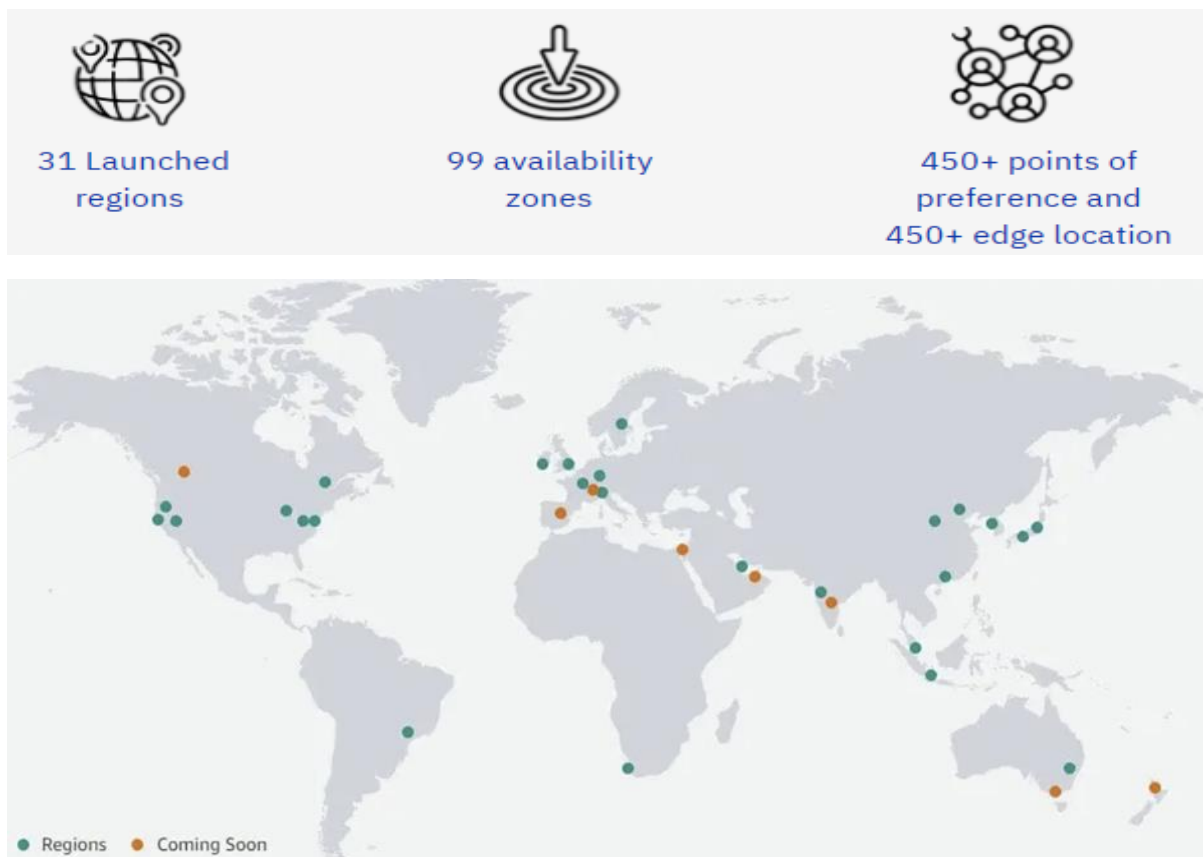
- Amazon Web Services (AWS) has solidified its position as a dominant player in the cloud computing market.
- In Q1 2023, AWS generated US\$21.4 billion in revenue, with a notable YoY increase of approximately 15 percent. However, this growth rate decelerated compared to 36 percent growth witnessed in Q1 2022.
- AWS contributes nearly 17 percent to Amazon's overall revenue, showcasing its significant contribution to the group's overall revenue.
- Pricing pressure from competitors and price-sensitive customers is posing challenges for AWS, thus impacting its growth.

## Regional Presence

- AWS has expanded global infrastructure with 99 availability zones across 31 regions and plans to add 5 new regions and 15 availability zones.
- Launched local zones in Delhi and Kolkata, with plans for two more in Chennai and Bangalore by the end of 2023.
- AWS Backup solution is available in Asia Pacific (Hyderabad), Europe (Spain), and Europe (Zurich) for scalable backup.
- AWS Mainframe Modernization service expanded to regions including US East (Ohio), US West (N. California), and Asia Pacific (Seoul).
- In January 2023, AWS launched its second infrastructure site Melbourne.

## Exhibit- 4

### AWS Cloud Regions




Source: [company website](#)


## Product Announcements


- In February 2023, AWS announced the general availability of AWS Telco Network builder, a managed service that help customers deploy, run, and scale telco networks on AWS.
- Amazon Elastic Compute Cloud (Amazon EC2) is a cloud-computing platform that allows users to rent virtual computers, called instances, on which users can run their own applications.
- Bedrock is a new service that allows AWS customers to tap into AI models from a variety of different providers via an API.
- AWS VPC Lattice: An application networking service that simplifies connecting, securing, and monitoring service-to-service communication.
- AWS Supply Chain: Cloud application that unifies data and provides machine learning (ML)–powered actionable insights.

## Partnerships

	<ul style="list-style-type: none"><li>• In March 2023, BT and AWS extended the partnership to develop IoT industry solutions, cloud networking propositions and 5G edge computing services for its UK customers.</li><li>• The deal is aimed at seizing the \$500 million opportunity in connectivity and digital services.</li></ul>
	<ul style="list-style-type: none"><li>• Partnered with Nokia for a joint solution that combines AWS's managed services with Nokia's RAN capabilities.</li><li>• The partnership aims to enhance operational simplicity and provide carrier-grade performance in Cloud RAN.</li></ul>
	<ul style="list-style-type: none"><li>• In February 2023, AWS and T-Mobile partnered to offer a 5G Advanced Networking Solutions portfolio with AWS Cloud services and pre-integrated applications.</li><li>• The collaboration includes developing customized offerings as part of the integrated private wireless on AWS program.</li></ul>

## Microsoft Intelligent Cloud





**The world's most advanced AI models are coming together with the world's most universal user interface- natural language to create new era of computing. Across the Microsoft Cloud, we are the platform of choice to help customers get the most value out of their digital spend and innovate for this next generation of AI.**

~ Satya Nadella, CEO, Microsoft

### Overview

- MIC had strong growth in Q1 2023, reporting US\$22.0 billion in revenue and a YoY growth rate of 15.9 percent, driven by the growth in server products, cloud services and enterprise services revenue.
- With a QoQ growth rate of 2.6 percent, MIC is well-positioned to further strengthen its position in the cloud services market.
- In May 2023, launched a suite of AI solutions and enhancements to its Cloud for Non-profit, enabling fundraisers to interact with donors, manage campaigns and optimize operations.

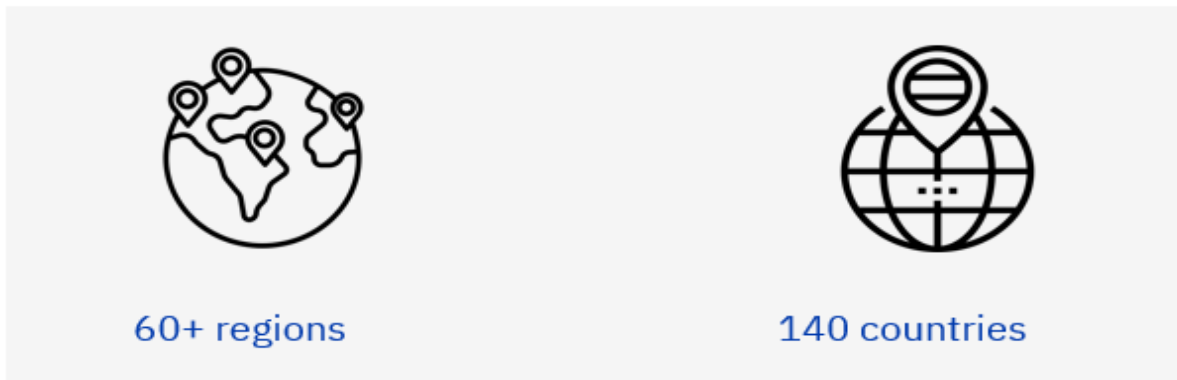
### Regional Presence

- MIC has presence across 60+ regions and 140 countries globally.
- In April 2023, it launched its first data centre in Poland, bringing new opportunities to develop the digital economy in the region.
- It has revealed plans of expansion into new regions in China and aims to build data centre region in Finland, with a focus on sustainable digital transformation and carbon-free district heating.
- Microsoft has announced plans of expanding data centres in geographies such as the United States, Belgium, Brazil, Canada, Chile, Mexico, Cloud Government, Asia Pacific, Australia, China, India, Indonesia, Japan, Korea, Malaysia, New Zealand, Taiwan, Austria, Denmark, Europe, Finland, France, Germany, Greece, Italy, Norway, Poland, Spain, Sweden, Switzerland, United Kingdom, Africa, Israel, Qatar, and United Arab Emirates.



## Exhibit- 5

### Microsoft Cloud Regions



[Source: company website](#)

### Product Announcements

- Microsoft made Cloud OpenAI Service available to the public, aiming to democratize AI.
- At MWC 2023, unveiled 12 major product announcements and showcased over 20 demonstrations.
- GPT -4 AI model is available in preview on Azure OpenAI Service, combining OpenAI's advanced model with Azure's AI infrastructure and compliance controls.
- Launched the preview of serverless for Hyperscale in Cloud SQL Database, a managed relational database, offering various configurations based on purchase, deployment, service tier, compute, and hardware.



## Partnerships

	<ul style="list-style-type: none"><li>• Microsoft and Epic extended their strategic collaboration in April 2023 to integrate generative AI into healthcare using Azure OpenAI Service and Epic's electronic health record software.</li><li>• The partnership's objective is to provide AI-powered solutions globally, enhancing productivity, patient care, and financial integrity of health systems.</li></ul>
	<ul style="list-style-type: none"><li>• In the same month, LG CNS and Microsoft, strengthened their partnership to accelerate business cooperation in AI and Cloud-based Digital Transformation.</li><li>• The collaboration entails working together on AI technology, including the development of new services and solutions with Microsoft's various data analysis and ML technologies.</li><li>• Additionally, LG CNS will also create a special team with Microsoft for AI service development.</li></ul>

## Oracle Cloud



**We have learned that being bold is the way to win, and being timid will wipe you out. We have built a platform that is secure, high-performing, sustainable, and cost-efficient. we've built horizontal applications that are focused on so many industries where digital technologies are critical for survival and success.**

**~ Safra Catz, CEO, Oracle**

### Overview

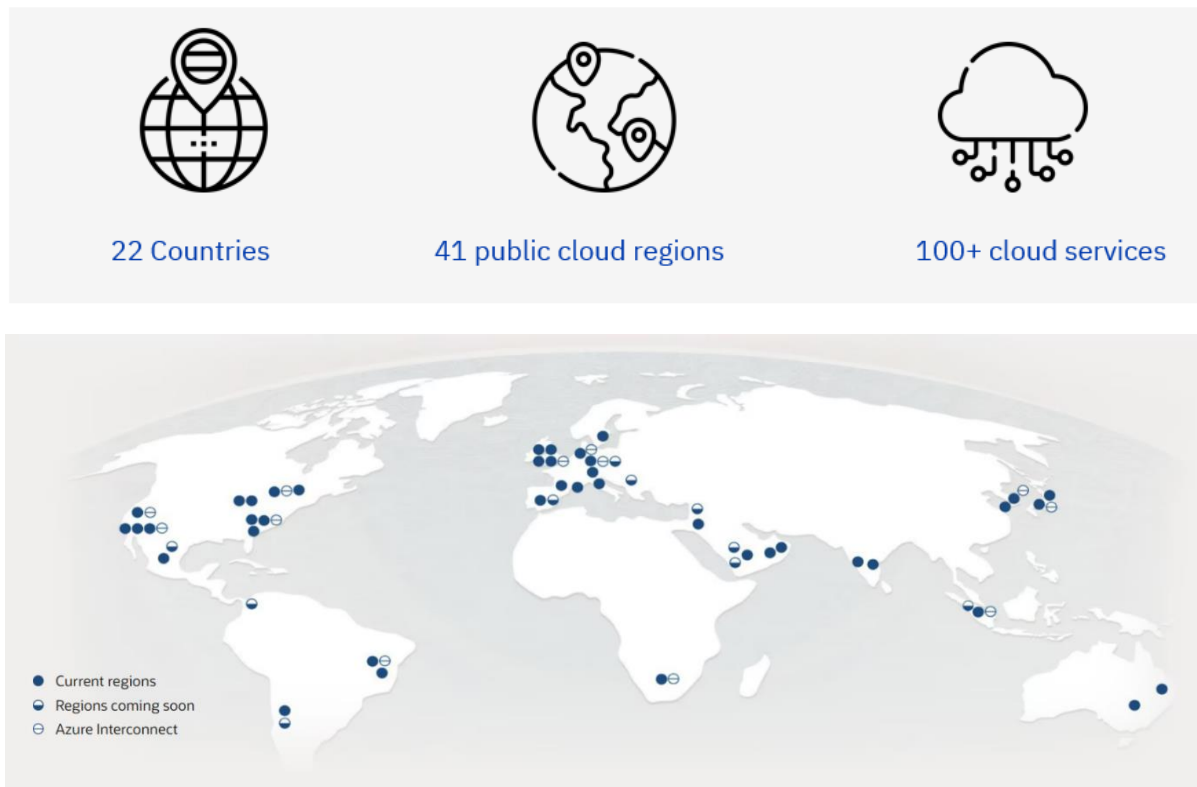
- Oracle Cloud achieved impressive YoY growth of 46.4 percent in Q1 2023, surpassing its growth of 33.3 percent in Q1 2022, indicating strong momentum in cloud offerings.
- Oracle's strategic entry into the cloud market allowed them to learn from other vendors experience and tailor their offerings to meet customer needs, resulting in faster growth.
- In April 2023, Oracle announced enhanced capabilities for easier migration to OCI, increased workload security, and improved content distribution.
- Oracle's 2023 strategy focuses on key areas of infrastructure technology to stay ahead in the cloud services market:
  - Prioritize solutions for multi-cloud, hybrid cloud, and edge computing with unified management, automation, and monitoring tools for improved performance and simplified operations.
  - Evolve platform architectures beyond x86-64 to include Arm, reducing energy costs and improving hardware performance.
  - Focus on essential technologies and services with simplicity and low cost to drive adoption.
  - Prioritize control with defined standards and requirements for feedback, audit, security, and integration in infrastructure automation.
  - Leverage AI for IT security to identify and respond to threats faster while reducing costs.

### Regional Presence

- Oracle Cloud provides over 100 cloud services available across 41 public cloud regions in 22 countries, providing a platform for efficient application hosting.

- In May 2023, it launched its first cloud region in Southeast Europe, catering to the cloud computing needs of organizations in Serbia.
- Demonstrating commitment to Southeast Asia, Oracle Cloud introduced a second cloud region in Singapore, delivering enhanced capabilities and performance.
- Oracle opened a new public cloud region in Riyadh in Feb 2023 and expanded its existing region in Jeddah, strengthening its position in cloud services.

### Exhibit- 6 Oracle Cloud Regions



[Source: company website](#)

### Product Announcement

- Introduced a new feature called Confidential Computing, which encrypts data while it's being processed for added security. This feature is available in certain regions of the Oracle Cloud Infrastructure.
- Oracle Database 23c Free - Developer Release is a new version of Oracle's database software that developers can use for free. It has new features that make it easier to work with modern data types, analytics, and development techniques.
- Launched a suite of cloud services called Oracle Banking Cloud Services for banks. The six new services include demand deposit account processing, limits and collateral management, global payment processing, API management, retail onboarding and originations, and self-service digital experience capabilities.

## Partnerships

	<ul style="list-style-type: none"><li>• In April 2023, Oracle Cloud and NVIDIA expanded alliance to offer NVIDIA DGX Cloud, an AI supercomputing service, through Oracle Cloud Infrastructure (OCI) Supercluster.</li><li>• This partnership enables access to NVIDIA AI Foundations and accelerates computing capabilities, empowering organizations to drive transformative AI-driven innovation.</li></ul>
	<ul style="list-style-type: none"><li>• In March 2023, Kasm Technologies and OCI partnered to introduce Workspaces for Oracle, a solution that combines DaaS, RBI, and CAS.</li><li>• The offering enables enterprises to create scalable cloud-based remote work solutions, merging the advantages of public cloud with on-premises infrastructure control.</li></ul>
	<ul style="list-style-type: none"><li>• In January 2023, Oracle and Telefonica Tech partnered to offer PaaS and applications to enterprises and public sector companies, leveraging Telefonica's local footprint.</li></ul>