

Capex forecast check, 3Q23: webscale & CNNO

Preliminary results for 3Q23: full-year capex likely to be 5-10% lower than 7/23 forecast, but tech portion of spend is trending upwards

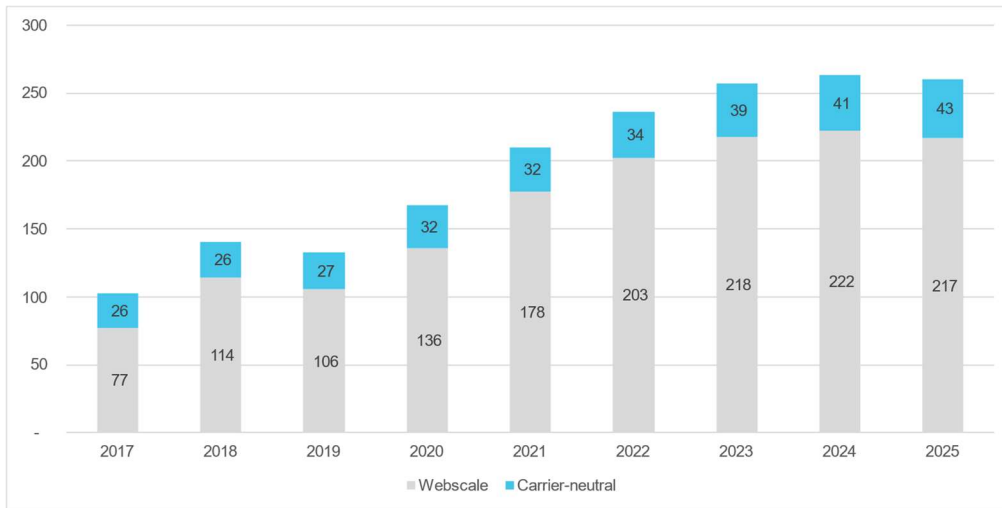
Summary

This short note provides an early review of 3Q23 market growth and capex spending figures for two of the three operator segments we cover: webscale, and carrier-neutral. (Our third segment, telco, will be addressed in a few weeks as more earnings reports are available.) The analysis is based on a review of over 80% of reporting companies in the two segments. Our official forecast for 2023 calls for \$218B of capex for webscalers, and \$39B for carrier-neutral operators (CNNOs). Market figures through 3Q23 suggest actual capex is likely to be closer to \$200B and \$36B for the two segments, respectively. This is a small change, however, and the tech portion of webscale capex is rising modestly. Moreover, new data from DigitalBridge makes clear that private equity-funded spend is strong in the data center CNNO market, helping to offset a weaker public CNNO market. Consequently, the vendor opportunity in selling to these two markets in 2023 is roughly the same size as forecast.

Introduction

MTN Consulting tracks three types of network operators: telcos, webscalers and carrier-neutral operators. We publish a market forecast for these operators two times a year: around December, and around June/July. Our last [forecast](#) was published in July 2023, prior to 2Q23 earnings season. Now it's early November, and a large number of companies have reported earnings for 3Q23 already. We will publish a new forecast formally in December 2023. In advance, this note takes an early look at two of the segments: webscale and CNNO. Referencing our July 2023 forecast, Figure 1 below illustrates capex for the two segments, including 2017-22 actuals and forecast through 2025.

Figure 1: Capex projection for Webscale and CNNO market (US\$B), per 7/23 forecast



Source: MTN Consulting's ["Network Operator Forecast Through 2027: Mid-Year Update"](#)