

3Q16 Vendor Financial Index Saw Vendor Shifts

The quarter sees a shift for Brocade and Infinera

GILBERT, ARIZONA, USA, December 8, 2016 /EINPresswire.com/ -- ACG Research has released its 3Q 2016 Vendor [Financial](#) Index report, which delivers independent information about the

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Ray Mota

sustainability of a vendor or company to help providers assess the risk of selecting the right vendor to meet their business requirements and to ascertain a risk level on the stability of the vendor regardless of technology innovations.

Low-risk vendors for the quarter are Adtran, Arista, Cisco and Juniper. Characteristics of low-risk vendors include strong revenue outlook, high operating margins because of sales, solid gross margin and expense discipline, low debt dependency, and high receivable efficiency ratio. Medium risk vendors are Adva, Brocade Ericsson, Fujitsu and Nokia. Of note, Brocade moved from the low-risk category to the medium-risk category this quarter. Factors bumping the

company into another risk category include low R&D; fixed assets not being leveraged, low revenue to fixed assets ratio yielding only \$1.28 for each fixed-asset dollar; and the Dell and EMC merger, which poses a challenge for Brocade as both these firms are major revenue contributors for the company.

Adtran's revenue grew 3.8% QoQ driven by stronger broadband access sales in Europe. The company's North American business saw a solid performance in Gigabit GPON shipments. Its Core product areas saw QoQ growth in optical and internet working products.

Arista's revenue increased 33.4% YoY to \$290.3 million. Cloud demand fueled the company's growth in 3Q16. Arista will pursue cloud-class, cloud titans and cloud converged network to address its Cloud Everywhere opportunity. Technology partnerships with Checkpoint and Palo Alto Networks will offer joint solutions for inserting security services into data center traffic flows using Arista's Macro Segmentation Services.

Cisco's product revenue grew 7.6% QoQ led by security, collaboration and switching product. Key growth areas for the company are software, security, cloud and data center. HyperFlex is expected to extend Cisco's leadership position in the data center. Cisco's partnerships with salesforce.com and Pure Storage, its introduction of software-based networking tools, and security services will add to growth.

Juniper's revenue grew 5.2% QoQ. This growth was mainly driven by higher demand from telecom, cloud and cable service providers as well as growth in government vertical across all geographies. The company's networking domain position will be strengthened because of its expansion in SDN. Juniper is capitalizing on the growing demand for data center virtualization, cloud computing and mobile traffic packet/optical convergence to build strong momentum for 2H16. Juniper anticipates strong demand for QFX products from cloud providers, large telcos, cable providers, large enterprises

and federal governments.

Ciena, Infinera, which moved from the medium-risk category, and ZTE are in the high-risk category. Ciena's revenue grew 4.7% QoQ, attributable to sales growth in North America and direct sales to webscale providers; however, the company may be negatively impacted by its leveraged balance sheet and stiff competition from Cisco and Juniper. Infinera decreased its revenue 28.3% QoQ mainly because its long-haul customers have halted or decreased their spend as well as the lack of new wins in Subsea. However, the company anticipates metro wins in 4Q16, which will be an important growth driver.

"As equipment vendors look at challenges Telco's face they simultaneously must examine at their organizations & analyze their business models to be more operational and sustainability efficient," says [Ray Mota](#), CEO, ACG Research.

For more information about ACG Research's Vendor Financial Index service or other syndicated and consulting services, contact sales@acgcc.com.

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