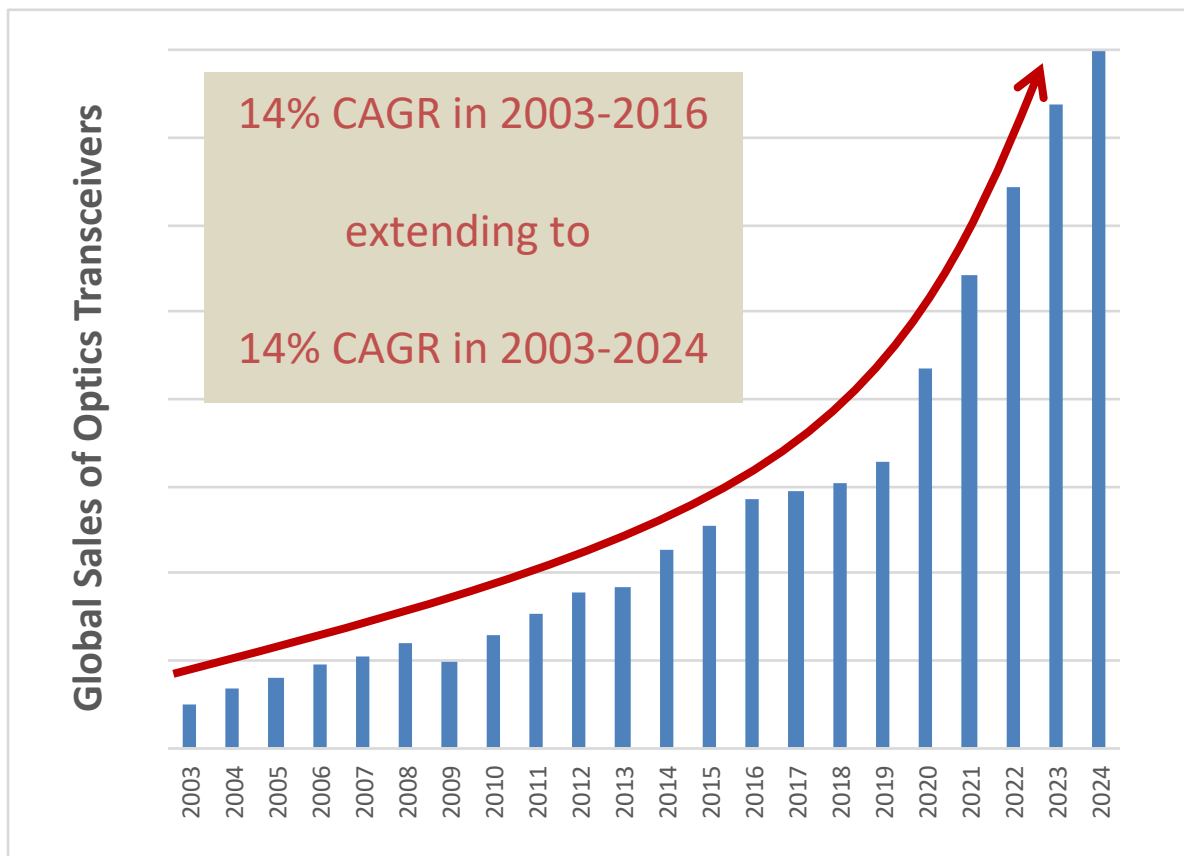




## OPTICAL COMMUNICATION MARKET FORECAST – APRIL 2019

LOOKING BEYOND THE SLOWDOWN OF 2017-2018



**TABLE OF CONTENTS**

Table of contents ..... 2

List of Figures and Tables ..... 3

Abstract..... 5

**Executive Summary** ..... 6

Can the global optical transceiver market extend 14% CAGR to 20 years?..... 6

There is a lot of dark fiber in the ground ..... 8

Summary of main changes to the forecast .....10

**Chapter 1: Carrier Revenue, Capex Overview**.....11

Operator revenues were up 4% in 2018.....11

Operator Capex was flat in 2018.....13

M&As, IPOs and Investments .....15

The 5G era kicks off in the US while China prepares for pre-commercial trials.....16

Spotlight on China: 1.2 billion mobile users on LTE; FTTH subs exceed 371 million .....18

India exceeds half a billion mobile broadband subscribers .....20

Industry’s new initiatives to benefit the open networking movement.....21

**Chapter 2: Internet Infrastructure Drivers**.....23

Internet infrastructure spending jumped to a new level 2018.....23

The top five ICPs accounted for 82% of total spending in 2018 .....24

Cloud services revenue increasing as share of total .....25

Internet companies had \$553 billion in ready cash in December 2018 .....26

Strong companies are eating the weak .....26

**Chapter 3: Forecast for Optical Components and Modules Used in Telecom Applications**.....29

Summary .....29

CWDM and DWDM Transceivers and total DWDM ports .....32

Tunable lasers, modulators and receivers for DWDM applications.....39

Wavelength selective switch (WSS) Modules .....41

FTTx Optical Components.....44

Optical transceivers for wireless fronthaul and backhaul .....46

**Chapter 4: Forecast for Optical Transceivers and Interconnects used in Datacom Applications**  
.....55

Summary .....55

Ethernet Transceivers .....56

Fibre Channel Transceivers.....59

Optical Interconnects .....60

**Chapter 5: Forecast Methodology**.....62

Internet and datacenter traffic growth .....62

Forecast methodology .....65

**LIST OF FIGURES AND TABLES**

*Figure E-1: Global sales of optical transceivers by application* ..... 6

*Figure E-2: Segments of the optical transceiver market in 2016 and 2024*..... 7

*Figure E-3: Normalized ASPs for Ethernet transceivers and annual declines in average prices*..... 7

*Figure E-4: Estimates for percentage of annual fiber deployments equipped with optics*..... 9

*Figure E-5: The “lit up fiber” by application in 2016 and 2024* ..... 9

*Figure E-6: Summary of main change to the forecast for the optical transceiver market in 2024* ..... 10

*Figure 1-1: Total revenue of the top 15 service providers, 2012-2018 (USD)*..... 11

*Figure 1-2: Revenue changes for the top 15 service providers (in native currency)*..... 12

*Figure 1-3: Revenues of the top 15 service providers by geographic region 2012 to 2018*..... 13

*Figure 1-4: Total capex of the top 15 service providers: 2012-2018 (2018 is estimated)* ..... 13

*Figure 1-5: Capex of the top 15 service providers by geographic region: 2012-2018 (estimated)*..... 14

*Figure 1-6: China Telecom’s network vision that includes 5G*..... 17

*Figure 1-7: The Chinese operators’ LTE subscribers: September 2017 to March 2019* ..... 19

*Figure 1-8: Chinese operators’ FTTH subscribers: September 2017 to March 2019* ..... 19

*Figure 1-9: Indian market’s broadband users – wired and wireline: January 2017 to January 2019*..... 20

*Figure 1-10: Wireless broadband subscriber count of the top four Indian operators – January 2019*..... 20

*Figure 2-1: Internet Index company spending on property, plant, & equipment*..... 23

*Figure 2-2: Rate of growth in Internet Index company spending on PP&E* ..... 24

*Figure 2-3: Internet Index company spending on property, plant, & equipment in 2018*..... 25

*Table 2.1: Cloud services revenues (\$ millions) reported by major ICP players*..... 25

*Table 2.2: Mergers and acquisitions among major Internet companies..... 26*

*Figure 3-1: Sales of Telecom Optical Transceivers (Historical Data and Forecast) ..... 30*

*Figure 3-2: Sales of Tunable lasers, Modulators, Receivers and WSS Modules for DWDM applications (Historical Data and Forecast)..... 31*

*Figure 3-3: Shipments of 100G port equivalents by application (Historical Data and Forecast)..... 33*

*Figure 3-4: Shipments of high speed DWDM ports by data rate (Historical Data and Forecast)..... 34*

*Figure 3-5: Shipments of high-speed DWDM transponders (Historical Data and Forecast)..... 35*

*Figure 3-6: Shipments of 100G pluggable DWDM transponders by form factor (Historical Data and Forecast)..... 36*

*Figure 3-7: Shipments of 200G DWDM pluggable transponders by product type (Forecast). ..... 37*

*Figure 3-8: Shipments of 400G DWDM pluggable transponders by product type (Forecast). ..... 38*

*Figure 3-9: Shipments of CWDM and DWDM Transceivers (Historical Data and Forecast)..... 39*

*Figure 3-10: Global Market for Tunable Lasers (Historical Data and Forecast)..... 40*

*Figure 3-11: Market for 100/200/400G Modulators, Receivers and Integrated Modules (Historical data and Forecast) ..... 41*

*Figure 3-12: Market for WSS modules (Historical data and Forecast)..... 42*

*Figure 3-13: Sales of WSS components by product type ..... 43*

*Figure 3-14: New FTTH subscribers vs. annual shipments of ONU ports (Historical Data and Forecast)..... 44*

*Figure 3-15: China’s impact on access optics market demand ..... 45*

*Figure 3-16: FTTx optics revenues (Historical Data and Forecast) ..... 46*

*Figure 3-17: 5G transport network topology options ..... 47*

*Figure 3-18: Mobile connections by technology ..... 48*

*Figure 3-19: Fronthaul Optical Module Shipments (Historical data and Forecast)..... 49*

*Figure 3-20: Sales of Optical Modules used in Fronthaul (Historical data and Forecast)..... 50*

*Figure 3-21: Sales of WDM fronthaul transceivers (Historical data and Forecast)..... 51*

*Figure 3-22: Ratio of fronthaul (FH) and backhaul (BH) capacity installed per year..... 52*

*Figure 3-23: Transceivers used in midhaul and backhaul applications ..... 53*

*Figure 3-24: Midhaul/backhaul transceiver revenue forecast ..... 54*

*Figure 4-2: Ethernet Transceiver Sales by Data Rate (Historical Data and Forecast) ..... 57*

*Figure 4-3: Shipments of 25G and faster Ethernet transceivers (Historical Data and Forecast)..... 58*

*Figure 4-4: Sales of Fibre Channel Transceiver by Data Rate (Historical Data and Forecast) ..... 59*

*Figure 4-5: Optical Interconnect Sales by Major Categories (Historical data and Forecast)..... 61*

*Figure 5-1: Data traffic inside Google Datacenters (2008-2014) ..... 62*

*Figure 5-2: Traffic growth rate in Amsterdam’s Internet Exchange..... 63*

*Figure 5-3: Traffic in Facebook’s datacenters ..... 64*

*Figure 5-4: A rough estimate for data traffic growth rate in mega datacenters ..... 65*

*Figure 5-5: Growth rate in bandwidth of optical connectivity in mega datacenters, calculated from shipments of optical transceivers. .... 66*

*Figure 5-6: Growth rate of the Internet traffic and DWDM network bandwidth..... 67*

*Figure 5-7: Comparison of mobile data traffic growth rates in China with global average..... 68*

## **Abstract**

This report provides a detailed market demand forecast through 2024 for optical components and modules used in Ethernet, Fibre Channel, CWDM/DWDM, wireless infrastructure, FTTx, and high-performance computing (HPC) applications.

Key inputs include an analysis of the business and infrastructure spending of the top 15 service providers and of the leading Internet companies, and sales data from 2016 to 2018 for more than 30 transceiver vendors, including more than 20 vendors that shared their confidential sales information with LightCounting. The forecast is based on LightCounting's proprietary forecast model, which correlates transceiver sales with network traffic growth and the projected deployments of LTE and FTTx systems for broadband access.

LightCounting is also grateful to many industry experts for their critical review of the forecast projections.