



# Kintarra Tech

## Third Party Maintenance Market

Insert Logo

Here

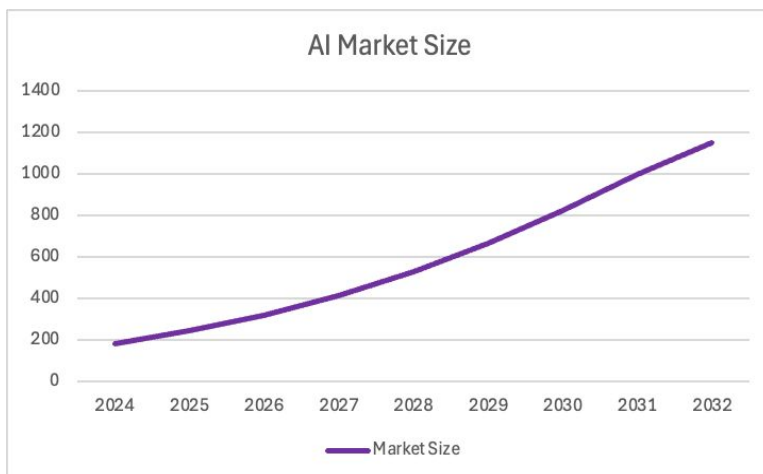
## Introduction to the Third-Party Maintenance market

“Millions of GPU data centers are coming,” says Jensen Huang, the CEO of the fastest growing company of our generation, NVIDIA. What does this mean for you? Well, it reflects the fastest growth of an industry that will change human life forever. However, the massive spending on high-priced GPUs and data centers will force companies to slash their capital expenditures, preventing them from refreshing their existing IT assets. This could leave systems outdated and vulnerable to critical failures and security breaches. Additionally, GPUs demand an overwhelming amount of power and unsafely disposed assets could leak chemicals into the environment.



Thus, the GPU revolution could make the world unlivable and cause data infrastructure to crumble. Yet OEMs stand as a formidable adversary to financially and environmentally compelling server extensions, doing their utmost to prevent customers from extending the useful lives of servers. How, then, will technology companies simultaneously act for the noble aims of financial competitiveness and environmental sustainability, saving us from the grip of these giants? The solution lies with third-party maintenance companies.

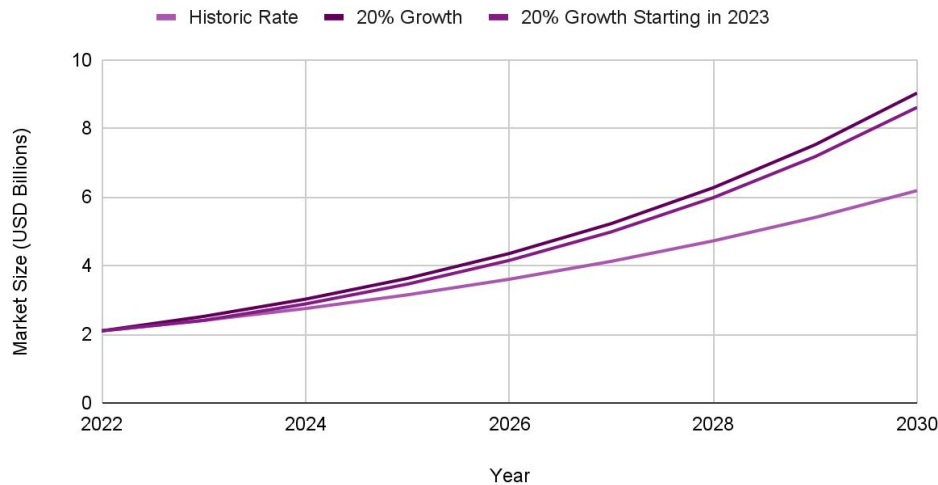
As the demand for GPUs/AI increases, companies will need to extend their refresh cycles beyond the limit imposed by OEMs. This compels companies to move towards TPM. Specifically, the growth rate of GPUs was projected at 34.6% and is likely even higher at 60% per year, thus reaching a predicted market size of \$120 bn by 2032. In parallel, the AI market growth rate was 28%. The accelerated growth by both markets is unlike anything we've seen in this era and could be compared to the rapid rise of internet users in the early 2000's. Already, the bulk of capex has been displaced towards the GPU market and away from buying current servers, as reflected in the extended refresh cycles.



## Market Landscape and Overview

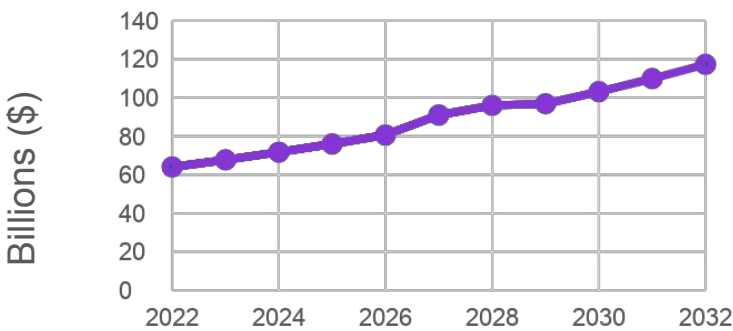
Third-Party Maintenance refers to IT maintenance by a company other than the OEM (original equipment manufacturer) – a server manufacturer like Dell, Supermicro, or Lenovo. Typical candidates for TPM include server, storage, and network. The Third-Party Maintenance (TPM) Industry was sized at \$2.1 billion in 2022 with a projected growth rate of 14.43 – 14.52%. This implies that it has reached \$2.75 billion now and will reach \$6.2 billion by 2030. However, with the current extended refresh cycles, TPM may grow at a higher rate going forward. According to Gartner, over 10 million data center and network devices were under a TPM plan, and 71% of large companies used a TPM for support in 2016.

TPM Market

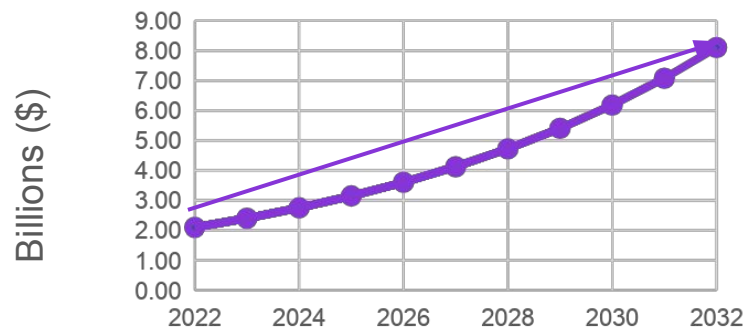


There is a clear correlation between the construction of data centers and the growth of TPM in data centers. As data center construction has sped up, with the United States constructing over 2,000 data centers in the past two years, so has TPM. We believe that the direct causation is actually lagged as TPM comes in 3 – 6 years after a data center is constructed. As companies have invested heavily into data centers and hardware, the demand to maintain the hardware will increase accordingly.

## Data Center Construction Spending



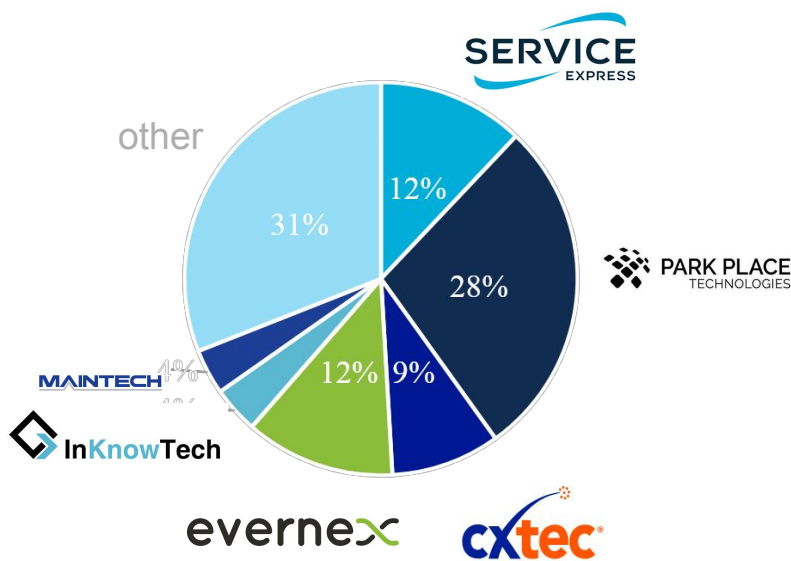
## Historic & Projected TPM Revenue



CAGR: 20%

## Main Players and Consolidation

The key players in the TPM industry were Park Place Technologies, Service Express, CxTec, and Evernex. Though there were 23 companies in our source, these four companies took up over 60% of the market share in 2023. Park Place Technologies is the “NVIDIA” of the TPM market, controlling nearly 30% of the market through 18 acquisitions. Over the last 6 years, Park Place’s notable acquisitions include Curvature, NorthSmart, and Riverstone. They are looking to keep capitalizing on this growth as more and more companies shift over to TPM. This past year they had generated a massive amount of revenue, \$674 M, which was significantly higher than any of its competitors. Additionally, Blackstone funded Park Place with over **\$2 billion dollars** in a dividend recapitalization in April. Park Place will continue to acquire companies that show potential in the TPM industry, so they can remain at the top of the food chain without any fear of losing its spot.



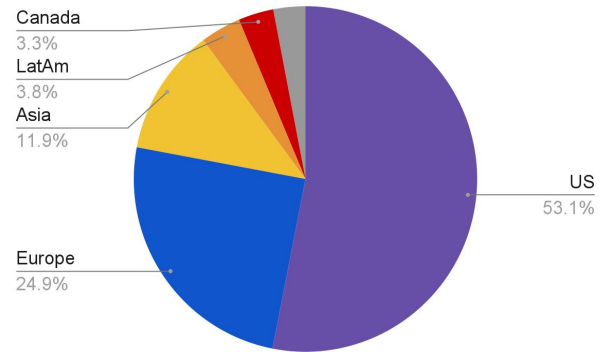
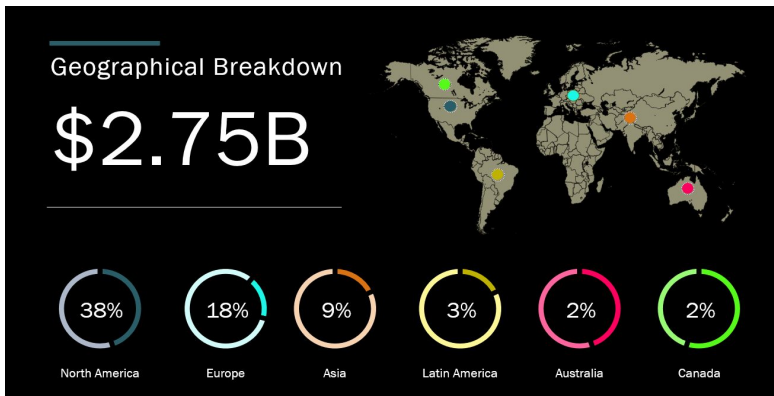
The next largest player is Evernex, which controls about 12.4% of the market with nearly \$300,000,000 of revenue. Evernex has also pursued acquisitions such as EmconIT, Technogroup, and A Systems. Evernex has also received funding from major private equity firms. It has received a \$451 million LBO investment from the 3i Group in 2019, financed with an undisclosed amount of Debt from CIC Private, Eurazeo, and Tikehau Capital Debt on October 29, 2019. Previously, the owner was another major investment firm, the Carlyle Group

Market Shares of Key Players		
TPM Company	TPM Revenue	Market Share
Park Place	\$674,000,000	28.04%
Evernex	\$296,900,000	12.35%
Service Express	\$290,000,000	12.06%
Cxtec	\$215,700,000	8.97%
Maintech	\$108,200,000	4.50%
InKnowTech	\$92,400,000	3.84%



## Segments

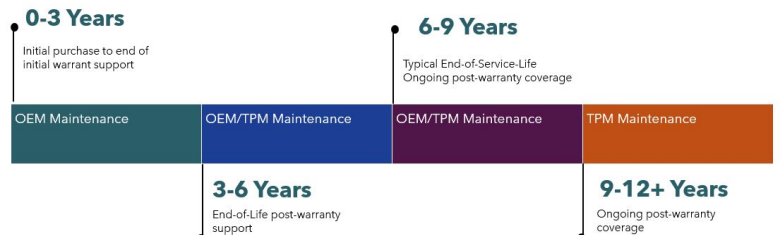
Across the board, the Third-Party Maintenance market consists of Storage Maintenance, Server Maintenance, and Network Maintenance. Many companies conduct all three main types of maintenance. North America is expected to contribute 33% of the growth. According to the number of data centers, approximately 37.79% of the market is in the USA, 17.68% in Europe, 8.47% in Asia, 2.72% in LatAm, 2.36% in Canada, and 2.15% in Australia. Asia will grow the fastest at 38% alongside the data center growth in the region. This is because growth in the TPM industry essentially lags the growth in data centers.



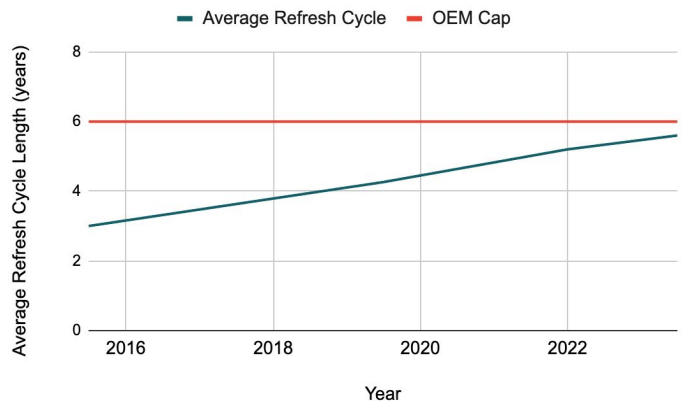
Companies in the TPM industry have a plethora of different operation models. Companies may have different models for engineering and parts procurement. Some handle all support, whereas others use subcontractors to handle parts and hire engineers. All Third-Party Maintenance companies require capital expenditures on repair and replacement materials and the warehouses to store them in.

It is not necessary to work completely with either an OEM or TPM, but it is possible to blend the two. For certain IT maintenance services on specific devices a company might choose OEM, but for others it could choose TPM. For the first 3 years, there is usually full warranty from the OEM, but once a device gets to 3 – 6 years, End-of-Sale announcements come out, and maintenance becomes more expensive. After 6 years, OEMs put out End-of-Serviceable Life announcements, withdrawing service. In effect, OEMs have a tactic similar to Apple or car manufacturers, where when the old model passes a certain date, they refuse to maintain it any longer. This forces customers to buy a new product. However, the refresh cycle reached as high as 5.6 years as of 2023, pushing the upper limit of OEM support, and some companies plan on using servers for as long as 10 years. When OEM maintenance is not practical, companies can switch to TPM – allowing them maintain servers for up to 12 years, saving money and making a better ESG impression.

### Typical Hardware Timelines



### Companies need TPM to Further Extend Refresh Cycles



## Notes

- The average refresh cycle being 5.6 years does not mean that all companies have that refresh cycle. It is an average across all companies and there is a distribution, with the refresh cycle differing for each company. Thus, many companies have >6-year refresh cycles. Furthermore, within each company, different types and specific items of IT could have different ages.
- Typical hardware consists of servers, storage, racks, network equipment, etc. This timeline depicts how OEMs provide a warranty for only the first three years, hoping the customer will replace the hardware after the third year. However, they also offer support (post-warranty) for maintenance for years 3-9 but confidently expect their customers to replace their old hardware after 9 years, which they consider the "End of Service Life" for hardware. We see that servers have a maximum refresh timeline, but companies may refresh their hardware before the 6 – 9 year-maximum.

## Case Study

For 60 individual PowerEdge servers, all based on the x86 architecture. 3-year refresh cycles would cost \$900,000 over 6 years. In contrast, OEM maintenance to reach a 6-year refresh cycle would reduce the cost to \$720,000 and TPM would reduce it further to \$570,000. TPM maintenance allows companies to save 21% compared to an OEM-enabled 6-year refresh cycle and 37% compared to a 3-year refresh cycle. As GPU prices surge, companies are scrambling to find efficient ways to save money on other IT.

### Typical 3-year Refresh Cycle

#### OEM Refresh

60 member PowerEdge x86 Cluster

1/3 Refreshes Annually

6-Year Total Cost  
Hardware \$900,000

All Hardware refreshed at warranty expiration

### Typical 6-year Refresh Cycle

#### OEM Maintenance/Refresh

60 member PowerEdge x86 Cluster

1/6 Refreshes Annually

6-Year Total Cost  
Hardware \$450,000  
OEM Maintenance \$270,000

**Total Cost \$720,000**

#### TPM Maintenance/Refresh

60 member PowerEdge x86 Cluster

1/6 Refreshes Annually

6-Year Total Cost  
Hardware \$450,000  
TPM Maintenance \$120,000

**Total Cost \$570,000**

#### Source:

[Webinar: Why Change to Third-Party Maintenance for Your Data Center? | Service Express](#)