

Solid State Drive Developers Try to Catch STEC

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By Paul Shread | Enterprise Storage Forum

STEC (NASDAQ: STEC) may have a commanding lead in the enterprise solid state drive (SSD) market, but there are plenty of vendors trying to catch up.

Analyst Matthew Bryson of Avian Securities attended last week's MemCon conference in Santa Clara, Calif., and came back with a half-dozen names that could eventually challenge STEC in the fast-growing enterprise flash drive market, according to a research note published yesterday.

- Pliant began sampling product with customers a month ago and expects an initial qualification in the fourth quarter, Bryson said.
- Samsung appears to be "working closely" with EMC (NYSE: EMC) on MLC-based technology, he said.
- Hitachi "remains on track to qualify early next year" with its SSD joint venture with Intel (NASDAQ: INTC), which will offer both Fibre Channel and SAS connectivity, he said.
- Seagate (NASDAQ: STX) "has promised a part by the end of this year," Bryson wrote. "With some upheaval in its SSD personnel, we believe the most likely path to market is through partnering with a smaller player, which would likely only yield a SATA-based part in 2009."
- The hard drive merger of Toshiba and Fujitsu could mean that SSD development "will need to start from almost ground zero, implying a part is unlikely to ship before 2011," he said.
- Western Digital "remains at the early stages of building a true 'enterprise class' SSD despite its acquisition of SiliconSystems," wrote Bryson, who noted that hiring marketing and business development chief Pat Wilkison away from STEC "should accelerate their efforts in this area."

"We see little competition for STEC for the remainder of this year, though this will start to change in early 2010," Bryson concluded. "We concede that competitive entry into this market has taken longer than we originally expected, clearly benefiting STEC both on the margin side and the unit side, but we correctly recognized this and reversed our negative opinion (to a neutral) close to the lows in Dec. At some point we intend to turn back negative on STEC (not yet though), as we strongly believe that cheaper competitive architectures will drive margins down significantly for STEC and with it STEC's valuation."

Analyst Jim Handy of Objective Analysis thinks it could take even longer for STEC to face real competition.

"The big deal is that enterprise OEMs are extraordinarily cautious and take more than a year to do a qualification," Handy told *Enterprise Storage Forum*. "Anyone who is not well down the road to a qual by now is unlikely to be much of a factor by the end of 2010. If any competitor to STEC were in this position, it is likely we would already have heard about it."

Handy sees Samsung and SanDisk (NASDAQ: SNDK) focusing largely on the PC market. It's not clear what Seagate is up to, he said, but the company appears "to have pulled the plug on their SSD efforts," even though SSDs could hurt the company's HDD business.

Pat Wilkison appears to have "taken a position that is not tightly tied to WD's SSD thrust, so I don't think he will be much help there," said Handy.

Handy said that leaves Fusion-io, Texas Memory Systems, Solid Data and Violin as STEC's main competitors, with Intel "scooping up a lot of lower-speed business" while its Braidwood flash memory initiative "helps relieve the need for an SSD altogether."