

# STEC Announces Fourth Quarter and Full-Year 2008 Results -- ZeusIOPS SSD Revenue Increased 300% to \$53 Million for 2008 and is Expected to Surpass That Mark in the First Six Months of 2009

## Customer Adoption of ZeusIOPS Accelerates; Company Sees Improved First Quarter Outlook



MSNBC

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SANTA ANA, Calif., March 12, 2009 (GLOBE NEWSWIRE) -- STEC, Inc. (Nasdaq:STEC) announced today the Company's financial results for the fourth quarter and full-year ended December 31, 2008. Revenue for the fourth quarter of 2008 was \$56.9 million, an increase of 7.4% from \$53.0 million for the fourth quarter of 2007.

Non-GAAP gross profit margin was 32.3% for the fourth quarter of 2008, compared to 31.7% for the fourth quarter of 2007. Non-GAAP diluted earnings per share from continuing operations was \$0.05 for the fourth quarter of 2008, compared to \$0.07 for the fourth quarter of 2007. GAAP results in 2008 included start-up costs related to the Company's Malaysia facility, employee severance, employee stock compensation, a customer warranty claim, global-tax restructuring, intellectual property rights litigation, hiring and recruiting fees for key R&D employees and the short-term impact of the implementation of the global-tax restructuring on the Company's effective tax rate. Non-GAAP results are explained and reconciled to GAAP results in tables included in this release.

GAAP gross profit margin was 27.8% for the fourth quarter of 2008, compared to 30.0% for the fourth quarter of 2007. GAAP diluted earnings per share from continuing operations was \$0.00 for the fourth quarter of 2008, compared to \$0.03 for the fourth quarter of 2007.

Revenue for full-year 2008 was \$227.4 million, an increase of 20.5% from \$188.7 million for 2007. Non-GAAP gross profit margin was 34.1% for the full-year 2008. Non-GAAP diluted earnings per share from continuing operations was \$0.31 for the full-year 2008. GAAP gross profit margin was 31.3% for 2008, compared to 30.2% for 2007. GAAP full-year 2008 diluted earnings per share from continuing operations was \$0.08, compared to full-year 2007 diluted earnings per share from continuing operations of \$0.11.

Business Outlook

"We are excited to emerge from 2008 in an excellent position to capitalize on the growing demand for our ZeusIOPS Solid-State Drives (SSDs) in the Enterprise-Storage market," said Manouch Moshayedi, STEC's Chairman and Chief Executive Officer.

"We exceeded our 2008 \$50 million revenue goal for shipments of ZeusIOPS by achieving \$53 million in sales of this product during the year. As previously discussed, we have been working with all of the major Enterprise-Storage OEMs to qualify our ZeusIOPS in their systems and we are glad to report that most of the major Enterprise-Storage OEMs -- including EMC, Hitachi Data Systems, and Sun Microsystems -- have launched or are launching their storage systems equipped with our ZeusIOPS SSDs.

"Based on current customer indications and momentum, we believe that revenue from our ZeusIOPS product line -- for just the first six months of 2009 -- will surpass the total of ZeusIOPS revenue achieved during the full-year 2008.

"We are consciously reducing the impact of our lower margin products on our revenue and expect that as the product mix shifts to our higher-margin SSDs, our gross profit margin will improve in 2009. Needless to say, we are optimistic about the outlook of our ZeusIOPS revenue for future quarters.

"We are glad to report that we have addressed key priorities and are well on our way to the successful execution of our strategic plan that has guided our business in the past few years:

- 1) Define Our Leadership in Enterprise SSD Technology -- Highlighted by our increasing customer wins, we believe that our ZeusIOPS and Mach8/IOPS SSDs have been widely accepted by the industry as the gold standard for others to follow.
- 2) Vigorously Defend Our Intellectual Property (IP) -- As we had said at the outset of the patent lawsuit that was filed by Seagate, we believed their claims were without merit. This was validated as all claims were dropped without any exchange of cash or licenses for IP after months of extensive pre-trial discovery.
- 3) Establish a Low-Tax, Low-Cost Platform for Growth -- Three years ago we decided to move our manufacturing and certain supporting operations to Malaysia to lower our corporate taxes and our manufacturing costs. We built a 210,000 sq/ft plant optimized for SSD production in Penang and, by the end of the first quarter of 2009, we expect substantially all of our manufacturing will be performed in that location. The additional capacity that is available in our new Penang facility positions us well to meet the growing demand for our Enterprise SSD product lines and the lower cost infrastructure should also have a positive impact on our gross margins. In addition, based on the substantial transition of our operations to Malaysia along with the increase in international sales activity, we expect our global effective corporate tax rate for 2009 to decrease to below 30%.

4) Effectively Manage Inventory / Maximize Liquidity -- At the end of the fourth quarter of 2008, our cash balance was \$33 million, our inventory was \$64 million, and we had not drawn on our \$35 million line of credit. Today, our cash balance is over \$55 million, our inventory has dropped to below \$55 million, and we have still not drawn on our \$35 million line of credit.

### **Guidance**

"We currently expect first quarter of 2009 revenue to range from \$58 million to \$60 million with diluted non-GAAP earnings per share to range from \$0.10-\$0.12, based on the presumption of a 29% effective corporate tax rate."

### **Conference Call**

STEC will hold an open conference call to discuss results for the fourth quarter of 2008. The call will take place today at 1:30 p.m., Pacific/ 4:30 p.m., Eastern. The call-in numbers for the conference are (877) 874-1567 (United States and Canada) and (719) 325-4815 (International).

### **Webcast**

This call is being webcast. The webcast can be accessed by clicking on the gray "Nasdaq:STEC" tab at the top of the home page at [www.stec-inc.com](http://www.stec-inc.com). The webcast will be archived and available for replay beginning approximately two hours after the live call concludes.

### **About STEC, Inc. (Nasdaq:STEC)**

STEC, Inc. is a leading global provider of Solid-State technologies and solutions tailored to meet the high-performance, high-reliability needs of original equipment manufacturers (OEMs). With headquarters in Santa Ana, California and locations worldwide, STEC leverages almost two decades of Solid-State knowledge and experience to deliver the industry's most comprehensive line of Solid-State Drives to the storage industry.

For information about STEC and to subscribe to the Company's "Email Alerts" service, please visit our web site at [www.stec-inc.com](http://www.stec-inc.com), click the "Nasdaq:STEC" tab at the top of the page and then click "Email Alerts."