

STEC Rockets on Strong Flash Storage Sales

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In the 14 months since EMC (NYSE: EMC) [announced](#) that it was adding solid state drives ([SSDs](#)) to its high-end data storage arrays, one company [seems](#) to have benefited more than any other.

STEC (NASDAQ: STEC), which boasts SSD deals with most of the major data storage vendors, reported last night that its SSD sales increased by 300 percent to \$53 million last year, a number it expects to surpass in the first six months of this year. The Santa Ana, Calif.-based company's ZeusIOPS SSD business makes up about a quarter of overall revenues.

EMC CEO Joe Tucci [said](#) earlier this week that the company has been selling out of SSDs the last couple of quarters, and HP (NYSE: HPQ), Sun (NASDAQ: JAVA) and Hitachi Data Systems (HDS) are also confirmed STEC customers.

As Dell (NASDAQ: DELL) is an EMC partner, that leaves just IBM (NYSE: IBM) and NetApp (NASDAQ: NTAP) as the only top seven vendors that haven't said whether they're working with STEC — and STEC CEO Manouch Moshayedi said on last night's conference call that two more OEM announcements are coming soon, although one may just be a formal announcement of the HP deal, which HP [confirmed](#) earlier this week.

And B. Riley & Co. analyst Mike Crawford said on last night's conference call that IBM blogs have said that the company has chosen STEC SSDs for the DS8000 series and perhaps the DS5000 too.

The strength in SSD sales in a tough economy has been surprising, as the drives cost roughly 10 times as much as hard disk drives, but they also offer far greater performance and energy savings for high-performance applications.

But STEC will likely face tougher competition from recent entrants such as [Intel](#)(NASDAQ: INTC), Hitachi, Seagate (NYSE: STX), Samsung and Micron (NYSE: MU). STEC recently got a patent challenge dismissed that had been filed by Seagate, which Moshayedi said "shows everyone what kind of IP we're holding in our SSD business."

On last night's conference call, Moshayedi didn't seem too worried about competition. "Our ZeusIOPS business is going through the roof," he said "... I've got the best customers in the world wanting my ZeusIOPS. Our ZeusIOPS is known to be the best drive out there. Everyone is trying to copy it. They have tried for two years, they have failed. And I think we will continue on just trucking with this product for the next few years until something else comes along."

Objective Analysis analyst Jim Handy had this to say about STEC's results: "Wow! This really reinforces the notion of a first mover advantage. STEC's about a year ahead of any of their competition in penetrating the enterprise market, and they have done a commendable job of pushing through the arduous qualification process that server and storage vendors inflict on their suppliers. It's great to see that this hard work and diligence is paying off."

STEC shares were also going through the roof this morning, up 20 percent.