

## STEC sees SSD business boom

### Enterprise exceeds expectations

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Enterprise solid state drive use means booming sales for STEC which saw revenues for its Zeus SSD rise 267.1 percent year-on-year.

Overall revenues for the first 2009 quarter were \$63.5m, up 25.2 percent on the year-ago quarter's \$50.7m, and up 11.6 percent from the last quarter of 2008, indicating a slow down in sales growth because of the recession, but still exceeding expectations. Gross profit margin was 39.8 percent, a STEC record, and earnings per share were \$0.17, compared to \$0.07 a year ago.

STEC reduced its headcount by 185 people in the quarter, and has relocated production from the USA to Malaysia, helping to lower its corporate tax rate. It recently announced a supply deal with IBM for Zeus SSD use in DS8000 storage arrays and Power series servers, which followed on from its ground-breaking deal to supply EMC about a year ago. Sun is also using STEC's SSDs as are Compellent, Dell, HDS, and HP.

Zeus sales for the quarter were \$25.7m, which was 29.8 percent higher than the previous quarter. Having sales of a product rise 30 percent quarter on quarter in a recession is highly pleasing.

CEO and chairman Manouch Moshayedi was delighted: "We have shown a significant improvement in our already strong balance sheet, have added two major Enterprise-Storage OEMs to our blue chip customer list, have successfully transitioned substantially all of our core operations to Malaysia, and increased our non-GAAP gross profit margin to 39.8 percent."

He forecast that the company "will achieve an estimated \$65m in sales of ZeusIOPS during the first half of 2009" - meaning sales of \$39.3m in the April-June quarter, almost 80 percent up on this quarter.

Stifel Nicolaus analysts are estimating 2009 and 2010 revenues of \$281m and \$316m respectively, and expecting further product qualifications at HP.

Competitive pressures during the year, such as Intel's SSD design wins at storage supplier Pillar Data and disk drive manufacturer Hitachi GST, and Fusion-io's impressive SSD performance demonstrations at IBM and HP, appear not to have affected STEC sales much at all.

However, enterprise storage array product design cycles are quite long and it is likely that STEC will find it harder going in a year's time if Intel makes more progress, Fusion-io turns demos into product sales, and hard disk drive supplier Seagate delivers an enterprise-class SSD later this year.

Until then STEC can refine its next-generation products in anticipation and bask in pioneer's glory. ®