STEC on a roll for enterprise SSDs

$120m SSD supply to an array supplier

By Chris Mellor | The Register

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STEC is trumpeting a $120m supply deal to a large enterprise storage customer - EMC, HP or IBM, we reckon - emphasising it's virtually the only solid state disk supplier in town for enterprise hard drive arrays.

STEC expects that revenue from the sale of its ZeusIOPS hard disk drive replacement SSDS will exceed $220m in 2009. In June STEC expected ZeusIOPS revenue for the first half of 2009 to pass $80m. They passed $55m in the second quarter, meaning they did around $25m in the first quarter and are likely to do $140m in the second half. It's some sales ramp.

Here's a thought: if these SSDs replace Fibre Channel drives, and short-stroked Fibre Channel drives at that, then for every ZeusIOPS sold there is a quantity of Fibre Channel drives not sold. How many?

A 320GB ZeusIOPS could replace just one 300GB Fibre Channel drive on capacity, but they are being used to replace multiple hard drives on IOPS terms. STEC says "one ZeusIOPS drive can replace the transactional performance of more than two-hundred 15,000rpm enterprise class disk drives."

We can't really expect a 200:1 replacement ratio, can we?

Since STEC SSDS vary in capacity we'd have to guesstimate how many hard drives a single STEC SSD replaces on average, and then we'd have to guesstimate how many SSDs are needed to generate $220m of revenue, and for that we'd need to understand STEC's OEM pricing. All this is going to be very closely guarded information.

Let's do a back-of-an-envelope job and assume an average $220 price per ZeusIOPS, meaning STEC will sell a million of them this year. Assume a 10:1 replacement ratio for fast hard drives and that's 10 million hard drives that haven't been bought. Assume a 100:1 replacement ratio and that's 100 million spinning blighters left in the stockroom.

Whatever the replacement ratio, Seagate and other fast enterprise hard drive suppliers must be noticing these lost sales.

To cap that, just last week STEC bragged about a $28m supply deal for its MACH8 SSDs to a US defence systems contractor building systems for the US military. Enough already! ®