SanDisk Corp. Acquires Pliant Tech in Continuation of Record Storage Acquisition

Tom Coughlin
Coughlin Associates
5/16/11

Key Points:
- SanDisk agreed to acquire Pliant Technology for about $327M
- SanDisk is most known for its consumer products although the company has offered several SSD products over the last decade
- Pliant is a start-up company founded by HDD industry veterans and has made a name for itself in the enterprise SSD space
- The acquisition continues the trend of storage company mergers that have changed the landscape of the industry in the last 3 months.

Article: SanDisk Corp. is to acquire enterprise solid state drive (SSD) maker Pliant Technology for about $327M. SanDisk has been selective in its acquisitions over the years. The last big acquisition by Sandisk was M-Systems (an Israeli company) in 2006 for about $1.3B. M-Systems brought the company useful technologies and an IP portfolio including tri-level cell flash and a solid state drive family. SanDisk is most known for its consumer and especially retail presence and has had less success getting qualifications for SSDs, particularly in the enterprise storage systems market.

SanDisk's acquisition of Pliant gives the company a foothold in the lucrative enterprise SSD business. Last week at EMC world, EMC announced that flash memory devices would play a key role in future enterprise storage products introduced by the company. EMC is a client of Pliant among a few other enterprise SSD vendors. Enterprise high performance systems are one of the biggest success stories for flash-based solid state storage systems in the last few years.

Enterprise storage system component qualifications are much more difficult than consumer product or individual desktop or laptop computer qualifications. Enterprise storage systems combine many storage devices in a storage system and may also support advanced features such as virtualized environments, automated backup, data integrity checking and data deduplication. As the number of features and storage devices (both number and types) increases, the complexity of the system increases and the odds of failure increase as well. Many months of exhaustive engineering, failure analysis and compatibility testing go into a typical enterprise storage component qualification.

It is likely that SanDisk purchased Pliant because of their current successful product introductions but even more important to SanDisk may be the engineering experience in Pliant for enterprise storage system qualifications. STEC and Pliant have been the leaders in enterprise SSD products but with the recent introduction of SSDs, including enterprise oriented SSDs by Seagate Technology as well as the product offering by
Hitachi GST (in combination with Intel and likely soon to be acquired by Western Digital) the enterprise SSD market is getting competitive. SanDisk has expressed a desire to get into the enterprise SSD market for several years and Pliant looks like it will be its vehicle for making this happen.

The SanDisk acquisition of Pliant continues a string of major storage acquisitions this year. Other major acquisitions include Western Digital’s acquisition of Hitachi GST, Seagate’s acquisition of Samsung’s HDD business, NetApps acquisition of LSI’s Engenio division as well as less major acquisitions including OCZ’s acquisition of Indilinx. We believe that these mergers and acquisitions are driven by large cash holdings by companies, depressed company valuations as well as the strategic advantages of combining forces. Another factor driving mergers and acquisitions in this industry include the momentum created by recently completed consolidation. In other words consolidation can itself drive further consolidation as a defensive move by the remaining incumbent industry participants.