

IBM Announces Intention to Acquire Texas Memory Systems



OBJECTIVE ANALYSIS SEMICONDUCTOR MARKET RESEARCH



Mature Solid State Design Joins with Market Leadership

On August 16, 2012, IBM announced that the company has agreed to acquire privately-held Texas Memory Systems, a manufacturer of high-performance flash and DRAM-based memory arrays and PCIe SSDs. This acquisition, expected to close by the end of this year, will give leading solid state performance to a company that firmly believes that solid state will become a new layer between storage and memory.

Who is TMS?

Many readers may not know Texas Memory Systems (TMS), a very low profile player in the high-profile solid state storage market.

TMS is the world's oldest SSD maker. The company, founded in 1976, focused on RAM-based replicas of HDDs from its inception until about four years ago when it aggressively entered the NAND storage market. Its original systems were based on SRAM, but as DRAM was introduced, it displaced the cost-prohibitive SRAM systems. When NAND prices dropped below those of DRAM, TMS followed other companies' lead to get into NAND-based storage, tapping into its deep expertise in managing memory in a storage environment to produce top-quality products.

TMS' products have always been highly speed focused. Prior to its entry into the NAND market the company sold DRAM SSDs boasting 200,000-3.2 million IOPS, and today its PCIe NAND cards run at 1.5 million IOPS. TMS' target markets are mainly transaction processing and database management and the company even offers consulting services to help optimize Oracle installations.

The company has a strong background in the system side of solid state storage, as opposed to flash memory chip makers whose systems experience is weak. This has allowed TMS to create products that offer very compelling performance which it sells at a premium price. This higher pricing has prevented it from penetrating the broader market, but TMS has so far been satisfied with its sales into less price sensitive department of defense agencies and large financial institutions.

Rumors have been circulating for over six months that TMS was looking to be acquired.

What This Means to IBM.

In the words of Bob Cancilla, Vice President and Business Line Executive, System Storage, IBM Systems & Technology Group: "We are **delighted!**" TMS' product is a very good fit for IBM's product line, both companies share common customers, strategies, and reliability goals, and the TMS offering is mature and highly innovative. The companies are both focused on the enterprise, and both share similar

corporate cultures. Furthermore, TMS is well managed and comes to IBM with a large IP portfolio. Cancilla said that this company offers IBM a real market presence rather than just a buzz.

The acquisition fits perfectly into IBM's messaging on Smarter Planet, Smarter Storage, and Smarter Computing since the addition of solid state storage commonly reduces the system's footprint, its power & cooling requirements, and other key factors that today are simply seen as side benefits after the most important feature that solid state storage offers: its sheer speed.

Cancilla said that IBM believes that the enterprise solid state market will see several billion dollars in added growth to the enterprise computing market over the next 3-4 years.

The TMS platform will be deployed across all of IBM - its PCIe SSDs in servers, its storage arrays into larger storage systems, and its memory-optimized software into IBM's established software including Tivoli.

A What this Means to IBM's & TMS' Competitors

Naturally there is some concern about what this might mean to IBM's existing relationships with Fusion-io and STEC, two companies that have been providing SSDs to IBM for the past few years. (Interestingly enough, Fusion-io's cards were used in IBM's first million-IOPS system, and now a single TMS PCIe card provides 1.5 million IOPS.) IBM explained that systems that currently use other SSDs will continue in that path. This acquisition has a more forward-looking focus.

As for IBM's competition, there could be some concern about the fact that the TMS solution brings a significant amount of understanding along with it that other companies' internally-developed solutions may not possess. TMS has worked out all the kinks that may have only started to present themselves in competing systems from other players. Over time we anticipate that this is very likely to enhance IBM's reliability reputation in relationship to that of its competition.

A Good Fit

Objective Analysis see this move as an excellent fit for IBM: The company will attain key expertise, giving it a "First Mover" advantage over its competition that could not have been developed as quickly through internal efforts. On the other hand, although we believe that the market for TMS' products is significantly broader than the one the company currently addresses, it is unclear that IBM is inclined to pursue this opportunity.

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