

SanDisk Acquires Pliant Technology



OBJECTIVE ANALYSIS SEMICONDUCTOR MARKET RESEARCH

Quick Entry into the Enterprise SSD Market

SanDisk Corporation on May 16, 2011, announced an agreement to acquire Pliant Technology, a manufacturer of enterprise SSDs for \$327 million in cash. The transaction has been approved by the boards of directors of both companies, and is expected to close by the end of the second quarter.

Pliant sells enterprise SAS SSDs based on multi-level cell (MLC) NAND with a product roadmap that includes PCI Express devices.

SanDisk expects the transaction to be dilutive to earnings in 2011 and accretive in 2012.

Examining the Synergies

This appears to be a very good deal for all parties - there are strong synergies and minimal redundancies. Let's examine the synergies first.

Pliant has had initial success in the enterprise SAS SSD market, which is that company's sole focus. The enterprise SSD market is the fastest-growing SSD market and is one that SanDisk has not targeted so far - SanDisk has dedicated the majority of its SSD efforts to the client PC SSD market, a market that has not materialized to the extent expected by its advocates for the past several years. Most PC buyers still don't want an SSD enough to pay the high price for the amount of storage they get.

Through this acquisition SanDisk can suddenly jump into the enterprise SSD market at full speed with a device that is already production qualified and with established relationships and design wins with key customers in that market.

Pliant, on the other hand, gains a ready supply of NAND flash, without having to compete for it on the open market during times of short supply. The company also will be able to tap into SanDisk's NAND control and error correction expertise, while harnessing SanDisk's strengths in teaming its controller designers with the NAND flash chip designers to provide internal solutions that are not readily available to companies who manufacture either NAND chips or controllers, but not both.

SanDisk also has deep pockets and can help Pliant establish itself without the distraction of having to raise further venture financing.

What About Redundancies?

Something striking about this deal is the absence of overlap between the two



companies. In design, SanDisk has great strengths in NAND flash and NAND controllers, SATA, USB, and flash card interfaces. Pliant has some flash controller expertise, but also brings significant strengths that SanDisk lacks in SAS interface technology, high-speed SSD data management, and end-to-end data protection.

SanDisk's sales & marketing strengths include retail sales and OEM sales to cell phone and tablet PC makers. Pliant's sales and marketing efforts are narrowly focused on enterprise server makers and storage array OEMs.

In short, there seems to be a near-ideal lack of redundancies that is rare in companies that bring synergies to the market.

This deal differs profoundly from SanDisk's acquisition of msystems in 2006, a company that had duplicate product offerings and sales into channels that SanDisk did not wish to pursue. SanDisk's msystems acquisition was more focused upon broadening its patent portfolio than upon strengthening sales of existing products into established sales channels.

Is This a Good Thing?

All in all, Objective Analysis sees this as a very healthy acquisition that brings new opportunities to both companies.

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