

STEC 4Q (lack of) Earnings, Random Briefs

STEC		STEC	
Qtr:	4Q	Grade:	F
Rev:	35.1	Rev:	---
GM:	32.8%	EPS:	---
EPS:	(\$0.35)	Fcst:	---

Growth(qtr-qtr)	
Rev:	-16.6%
Fcst:	-40-35%
Div:	

STEC missed 4Q expectations and guided for a significant revenue decline this quarter as it attempts to diversify its SSD customer base to end-user enterprises from storage OEMs. Cash declined by -\$28M to \$158M or \$3.38 per share and management believes it has enough to carry it through its customer transition and hopes to achieve break-even of \$70M per quarter by year-end. While the shares trade close to book value of \$4.80 per share I prefer to stay on the sidelines until revenue growth and earnings become visible.

Flash-based products accounted for 96% sales with DRAMs at 3%. The \$33.8M within flash included ZeuSOPS at \$25.3M, MACH at \$5.3M, and embedded SSD/other at \$3.1M. Its cash burn from operations totaled -\$21.3M, total cash declined by -\$28M to \$158M and it has no debt. Last year non-OEM customers accounted for 22% of sales up from 6% and international sales totaled 30.4%. STEC achieved its first non-OEM customer accounting for over 10% of sales during 2H12.

STECs turn-around strategy is to diversify its SSD customer base to higher-margin, end-user enterprises who would then specify its product to OEM storage system suppliers, who continue to remain active and viable customers in their own right. To that end it now has 45 direct sales people approaching cloud service providers, web 2.0, oil and gas, and financial enterprise customers where it will add application software and solution expertise to its SSD offerings. STEC is also in a proxy fight with activist shareholders Balch Hill and Potomac Capital.

RANDOM COMPANY BRIEFS from this week

- ANAD sold 10M shares at \$2 each in a secondary offering (with an option for 1.5M more).
- VTSS added two new board members, Matthew Frey and Kenneth Traub, to its current five for seven total.
- HITT rotation: Rick Hess as CEO and Franklin Weigold as Chairman instead of Stephen Daly as both.
- AMD sold and leased-back its campus in Austin, TX and pocketed \$164M in cash.
- RMBS board changes: Eric Stang as Chairman, three retired, one becomes emeritus advisor, six total now.
- MXIM issued \$500M of 3.375% notes due 2023 to retire existing 3.45% notes due June 14, 2013.
- ISIL announced a new CEO, Necip Sayiner (formerly of SLAB), and interim CFO, Mercedes Johnson.
- DSPG is battling activist shareholder Starboard Value with public letters.

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