



Enterprise Hardware

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NIRVANIX: CLOUD STORAGE COMPANY

- **Nirvanix CEO interview.** We recently interviewed the management of Nirvanix, a private-held cloud storage company that allows customers to access storage from Nirvanix' data centers. We spoke with CEO Scott Genereaux (formerly VP/Marketing at QLogic and head of worldwide sales at Hitachi Data Systems) and Steven Zivanic (VP/Marketing).
- **Enterprise-class cloud storage offering.** Nirvanix emphasizes that it is enterprise-class, meaning it is for customers who desire extreme reliability and redundancy levels. It offers customers end-to-end quality of service (QoS). For example, Nirvanix recently obtained business with NBC Universal which noted that it chose Nirvanix over the competition due to its scalability and enterprise-class features.
- **Possible \$7B cloud-storage market in three years.** Using market research data, Nirvanix claims that the worldwide public cloud storage market will grow from roughly \$2B in 2009 to roughly \$7.2B in 2014, resulting in a 5-year CAGR of 30% (roughly 4x the expected growth of the disk storage market itself, we estimate). Nirvanix expects to nearly double its revenue in C2011, so it will grow meaningfully above its TAM. Note that \$7B is quite sizeable in relation to our estimate for the external controller-based disk storage market which is \$27B in 2014.
- **Benefits of cloud-based storage.** There are several benefits to cloud-based storage: A.) Storage management expenses are reduced since a customer offloads this function to the cloud storage company; B.) A customer does not in effect overpay for storage as is usually the case when capacity utilization is low (many IT shops have utilization rates below 50%), and C.) A subscription-based approach results in an operating expense, which is usually easier to come by than capital expenses.
- **New HP relationship.** Dell has been reselling Nirvanix's solution for some time, but effective in early 2011, Nirvanix also signed HP as a reseller of its solutions. Although HP sells its own storage (private cloud), it also resells Nirvanix to offer customers a public or hybrid cloud offering. We believe that Nirvanix primarily uses Dell's storage in its cloud offering, but it may use HP more as time goes by.
- **Competitors.** Nirvanix considers its competition to be Amazon S3, EMC Atmos, and Iron Mountain Digital. Nirvanix claims to have the differentiated ability to scale to billions of files.

Nirvanix: Cloud Storage Company

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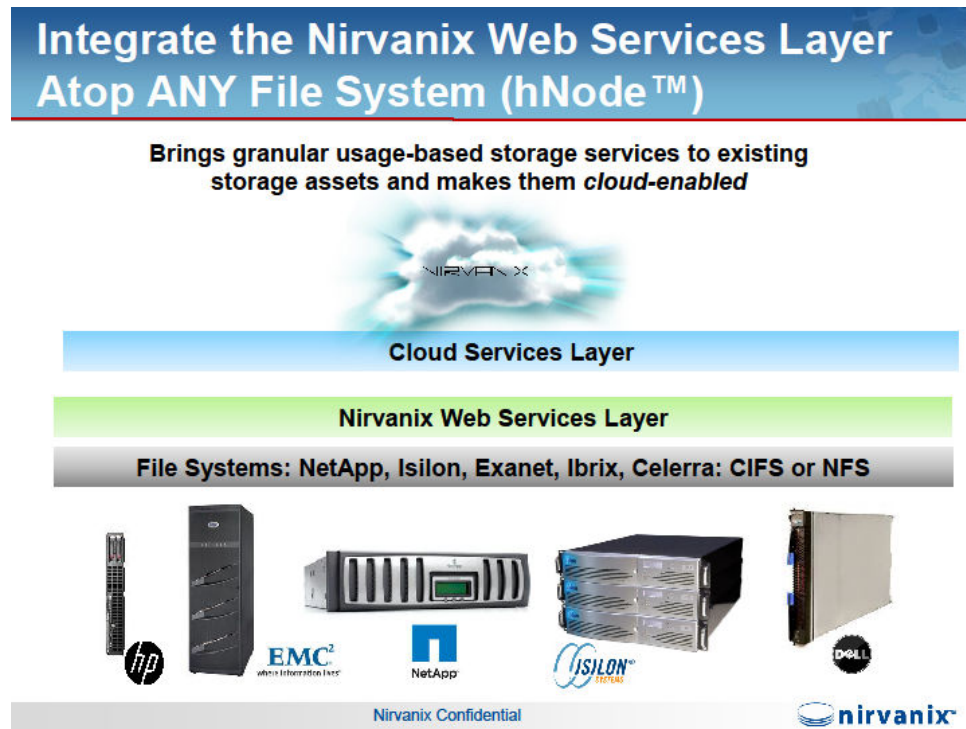
Obstacles to cloud-based storage. The following are some of the inhibitors to cloud-based storage:

- Security is a concern as customers do not control the data as they do when storage resides in-house. There are several areas of security to consider: encryption (of the data), firewalls, how secure the facility of the cloud storage company is.
- Bandwidth costs are a concern as cloud storage companies often charge based on how much data is moved into and out of its cloud storage offering. However, Nirvanix offers distributed content collaboration that allows for unlimited upload and download for a flat rate per month.

The company currently has 700 customers worldwide and is venture backed by investors such as Intel Capital, Valhalla Partners, Mission Ventures, and Windward Ventures. Nirvanix's offers its cloud-based storage through 7 data centers located in Los Angeles, Dallas, New Jersey, Frankfurt, Switzerland (2), and Tokyo. We believe that Nirvanix may look to seek a public offering in late 2012.

Nirvanix Internet File System. The company provides various means of accessing cloud-based storage: CloudNAS gateways (appliances that connect to the cloud), hNode Hybrid and Private Cloud Software, and a Public Cloud Storage Delivery Network (SDN). With the hNode and Private Cloud Software, it uses its Internet File System that works on top of storage from other vendors in hybrid or private cloud scenarios (see Figure 1).

Figure 1: Nirvanix' Web Services Layer Includes Its Internet File System That Goes On Top Of Storage From Other Vendors When Used In A Hybrid Or Private Cloud Scenario



Source: Nirvanix

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Customers. Nirvanix's customers include NBC Universal (as noted), Logitech, Cisco Systems' Technical Assistance Center, General Electric (uses Nirvanix' Storage Delivery Network [SDN] for offsite data protection, Amylin (biopharma), and Extreme Reach (video advertising), Royal Bank of Scotland, Comcast, and others.

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INVESTMENT RISK

Storage stocks could exhibit weakness due to softer IT/enterprise spending and lower or declining growth rates in certain geographic areas (like Europe).

VALUATION METHODOLOGY

The valuation methodologies for our covered companies are in their individual initiation pieces.



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Price charts generated by Jovus, Inc.

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Cisco Systems, Inc. (CSCO)	None
Dell Inc. (DELL)	None
Dot Hill Systems (HILL)	None
EMC Corporation (EMC)	None
Emulex Corp. (ELX)	None
F5 Networks, Inc (FFIV)	None
Hewlett-Packard (HPQ)	None
International Business Machines (IBM)	None
NetApp, Inc. (NTAP)	None
Network Engines (NEI)	None
QLogic Corporation (QLGC)	None
Quantum Corp. (QTM)	None
Seagate Technology (STX)	None
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