

# TECH & INNOVATION AWARDS

# SGI!



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Mark Barrenechea recognized potential in Silicon Graphics and restored its super-computing swagger. **4**



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**BEST CEO | LARGE COMPANY**

# Barrenechea finds super-computing's rough diamond

BY PATRICK HOGE  
 San Francisco Business Times

When computer graphics pioneer Silicon Graphics Inc. went bankrupt for the second time in 2009, there were few bidders for the legendary company's assets. The winner was the much smaller server and storage firm Rackable Systems Inc.

Silicon Graphics had intellectual property with massive unrealized potential, the result of \$1.7 billion in capital investment in the company over its 30 years of life. Rackable Systems effectively picked it up for free.

**WINNER**

Two years later, the combination of the two companies — now called Silicon Graphics International Corp. (SGI) and headquartered in Fremont — has emerged as a vigorous competitor in the realm of high-performance computing. SGI predicted after one recent profitable quarter that it will end its fiscal 2011 in June with revenue of \$600 million to \$625 million — up from less than \$250 million two years earlier.

SGI's stock, meanwhile, has increased hundreds of percentage points from a low of about \$5.

For his role in overseeing Rackable's acquisition and integration of Silicon Graphics, the San Francisco Business Times is naming Mark Barrenechea, SGI's CEO and president, as its 2011 Best CEO of a large technology company.

"We've gone from losing money to making money and growing cash and having our future look brighter," said Barrenechea in an interview. "It's been off to the races, unequivocally. It's been a fantastic two years."

Barrenechea joined Rackable in 2006 after a three-year stint as chief technical officer of giant Computer Associates, and seven years leading applications development as a senior vice president at Oracle.

In the old Silicon Graphics, Barrenechea saw a chance to use Rackable's expertise in custom server and storage manufacturing — a business with limited growth prospects, eroding margins, and a down stock — to create an innovative "technical computing" company serving clients like aircraft makers, pharmaceutical companies, government research institutions and investment operations. Competitors include Hewlett-Packard and IBM.

"SGI is in a unique position to change the scale of computing," said Barrenechea, who predicts advances in computing power in the next 10 years will exceed all that came previously.

Among the gems Barrenechea saw in Silicon Graphics' portfolio was its long-running but yet-to-be commercialized "Ultra Violet" project, which aimed to dramatically expand the capacity of shared memory supercomputers.

"To Mark's credit, he saw value where nobody else did," Wonderlich Securities analyst Brian Freed said of Rackable's \$42.5 million purchase of Silicon Graphics, which came with \$32 million in cash and \$12 million in receivables on the books.

"Everybody else had the ability to buy it," Freed said.



SPENCER BROWN

Since Barrenechea bought it out of bankruptcy, it's been "off to the races" for SGI Corp., he said.

Just over a year after the merger, the new SGI started selling the Altix UV (Ultra Violet), the world's fastest shared memory supercomputer, based on commodity hardware, Intel's new Xeon processors.

The jump in memory-sharing capacity Altix UV offered was huge. The Altix UV has a capacity of 16 terabytes, compared to the previous limit of one terabyte.

"In the high-performance computing world, absolutely people said 'Wow,'" said Freed, who predicted that SGI could soon take enough of the high-performance computing market to push revenues to somewhere between \$2 billion and \$4 billion a year.

Buyers of the Altix UV have included Los Alamos National Laboratory, the Institute for Cancer Research in London and a collaborative partnership by Merck, Biogen and GenomeQuest to conduct analysis of a whole human genome, the last of which marked SGI's entry into the pharmaceutical and biotech industries.

Within the next 12 months, Freed said, SGI is expected to release a second-generation Altix UV machine capable of processing 64 terabytes of shared memory. Key to that effort is the fingernail-sized NUMalink chip that contains 80-million logic gates — the building blocks of integrated circuits — that Silicon Graphics created and refined over more than a decade.

Kirk Skaugen, vice president of Intel Corp.'s architecture

group, said SGI has put itself in front of what Intel predicts will be massive growth.

SGI is also enabling scientists in a wide variety of fields to "tackle the toughest problems on the planet," ranging from weather modeling to disease treatment and energy research.

"They're pushing the boundaries of science," he said.

Like others, Skaugen said he was impressed that Barrenechea has opened up SGI's future prospects while also being fiscally responsible and providing good service to existing customers.

In the merger, the new SGI left behind costly old Silicon Graphics leases, particularly its headquarters in Sunnyvale, and consolidated SGI's headquarters in Fremont and manufacturing in Wisconsin — a rare U.S. tech manufacturing operation.

SGI also shed some 200 jobs in 2009, though it's now up about 100 to 1,600, and has 50 open positions.

Last year, SGI bought Copan, a small Colorado storage company, and last month it completed the acquisition of a Japanese unit that the old Silicon Graphics sold off after it went into Chapter 11 bankruptcy in 2006. Freed said in both deals, SGI got valuable assets for virtually no cost.

William Thigpen, branch chief at the NASA advanced supercomputing division in Mountain View, had long worried about the old Silicon Graphics' viability.

But he says the new SGI appears to be thriving, addressing high-performance computing issues other companies are not.

And he is an unabashed fan of Barrenechea's, though he says he cannot endorse SGI — or any vendor.

"Mark has done I think a phenomenal job of bringing the two companies together. The sum is greater than the two parts," Thigpen said. "I can't imagine anyone could have done it better."

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**MARK BARRENECHEA, SILICON GRAPHICS INTERNATIONAL CORP.**

**HQ:** Fremont.

**Employees:** 1,600.

**What it does:** High-performance computers, servers and data storage devices.

**Relaunched:** 2009.

**2010 revenue:** \$567.3 million.

**Growth:** 2010 revenue is more than double 2008's.