New offers start Dell bidding war

NEW YORK, USA: A bidding war broke out on Monday (25 March) for US computer maker Dell as two new acquisition offers emerged in competition with the private buyout led by founder Michael Dell.

The company said the offers were from billionaire corporate raider Carl Icahn and investment fund Blackstone Group. Both offers "could reasonably be expected to result in superior proposals," but further study is needed, Dell said in a statement.

Dell said its special committee, which had set a Friday (22 March) deadline, would continue negotiations on both offers. "We are gratified by the success of our process that has yielded two alternative proposals with the potential to create additional value for Dell shareholders," said special committee chairman Alex Mandl.

"We intend to work diligently with all three potential acquirers to ensure the best possible outcome for Dell shareholders." The new offers suggest Dell could bring a higher value than the US$24.4bn proposed in the initial buyout offer, analysts said.

The initial offer amounted to US$13.65 per share, but Brian White at Topeka Capital Management said bids could go considerably higher.

"With three forces at work, we believe a higher buyout bid is on the cards and we continue to believe that an US$18 as share is a fair price for Dell; however, it is unlikely that this price will be reached in the first round of bidding," White said in a note to clients.

Roger Kay, an analyst with Endpoint Technologies, said the new bids suggest Dell and other firms may have been unfairly punished by the stock market, amid gloomy predictions about a shift away from traditional computers.

"Technology companies, despite their troubles, are pretty good," Kay said.

"They sell a lot of products. They have pretty good cash flow. You can argue there is a lot of value there. It's true many buyers have shifted to high mobility devices, but it's not like the PC market has gone away," Kay said.

But Kay noted that, with the new offers, Michael Dell could lose his job, which is the exact opposite of his intention when he made the buyout proposal. In February, the company unveiled plans for a private equity buyout led by founder Dell, backed by equity investment firm Silver Lake and a loan from Microsoft.

According to the details released on Monday (25 March), Blackstone proposed a "leveraged recapitalisation" which would offer existing shareholders US$14.25 a share but allow those who want to hold onto shares to do so. Under the deal, shares would remain publicly traded on the Nasdaq.

Blackstone said its offer "will deliver significantly greater value to your shareholders" and while the Icahn offer would inject an additional US$5bn into Dell.

The existing shareholders would have their shares rolled over into a new company, with Icahn controlling 24.1%, Southeastern Asset Management 16.6% and T. Rowe Price 9.3%. The two investment firms had opposed the initial buyout offer.

Source: *AFP* via I-Net Bridge