

## Sun, IBM buyout talks in limbo

April 17 2009, By Brandon Bailey

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Representatives of Sun Microsystems met earlier this week with advisers for IBM in an effort to restart buyout talks that stalled earlier this month, but no deal was reached.

No further discussions have occurred since that meeting, held Monday at a Chicago-area airport, and the talks appear to be in limbo, according to sources familiar with the matter. The sources insisted on anonymity because the discussions were confidential.

Several analysts said they believe an agreement for IBM to buy Sun is still possible, despite IBM's withdrawal of an offer valued at roughly \$7 billion.

"There is economic upside" for both companies, said Ashok Kumar, who follows the tech industry for the Collins Stewart investment firm. "If there is a meeting of minds, the deal can still happen."

But he said an agreement is probably much more important to Sun, which has been struggling far more than most big tech companies in the current [recession](#). Kumar said IBM, which is bigger and has continued to post profits, doesn't need Sun.

Representatives of both companies declined comment, as they have since reports of the negotiations surfaced last month. Talks broke down after the two sides failed to reach an agreement on price and other terms.

Both companies sell software and computers, including servers and other

hardware for big corporate data centers. Acquiring Sun would give IBM a dominant position in the high-end server market, which has prompted suggestions that the deal might raise anti-trust issues. Sun has pressed IBM for assurances that it would not abandon the deal if U.S. or European regulators insisted on an extensive review or set conditions for legal approval.

IBM, meanwhile, reportedly has balked at some of Sun's contracts with its top executives, which guarantee sizable payouts if the company is sold.

Speculation has swirled since the talks broke down. CNBC, citing unnamed sources, said Thursday that IBM was no longer interested in a deal. But the sources who spoke to the San Jose Mercury News said neither company had completely shut the door on further talks, although there has been no further movement.

When talks stalled on April 5, Sun notified IBM that it was ending its exclusive negotiating agreement and would consider itself free to approach other buyers. However, no other suitors have emerged.

"I really do not see any other bidders coming to the table at this time," said Bill Kreher, a tech industry analyst with the Edward Jones investment firm. "I think Sun recognizes that [IBM](#) may be its best bet here."

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