

Dell eyes tech services with \$3.9B deal for Perot

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FILE - In this March 22, 2006 file photo, Dell corporate logo at Novell's BrainShare convention in Salt Lake City, is shown. Dell Inc. said Monday, Sept. 21, 2009, it has agreed to buy the information technology services company Perot Systems Corp. for about \$3.9 billion as it looks to expand beyond the personal computer business.(AP Photo/Douglas C. Pizac, file)

(AP) -- Dell Inc. plans to buy the technology services company Perot Systems Corp. for about \$3.9 billion as it tries to expand beyond the PC business and compete more aggressively with Hewlett-Packard Co. - which also recently picked up a tech-services company founded by H. Ross Perot.

Dell said Monday it will offer \$30 per share in cash for Perot Systems- a 68 percent premium over its closing price Friday. Perot Systems' shares rose \$11.69, or 65 percent, to \$29.60 in afternoon trading.

Dell shares fell 67 cents, or 4 percent, to \$16.01.

Former presidential candidate H. Ross Perot Sr., now 79, serves as chairman emeritus of Perot Systems, which he founded in 1988.

He had already made a fortune from founding Electronic Data Systems Corp. in 1962 and selling the company to [General Motors](#) Corp. in a 1984 deal worth \$2.5 billion. Hewlett-Packard bought EDS last year for \$13.9 billion as it, too, tried to augment its services offerings and diversify beyond hardware.

In a conference call with analysts, Dell's founder and CEO, Michael Dell, said the deal will serve as an "anchor" acquisition for a global information-technology services business.

Plano, Texas-based Perot Systems would bring Dell more than 1,000 customers in a wide range of sectors; about 48 percent of its revenue comes from the health care industry and 25 percent from government. Its customers include the U.S. Department of Homeland Security and the military. Last year Perot Systems earned \$117 million on sales of \$2.8 billion.

Dell's services business is more basic than those of its larger competitors; Perot Systems would add more lucrative consulting and systems-integration services to Dell's lineup.

"This would, at least from a product standpoint, put them definitely more competitive with HP and IBM," said Kaufman Bros. analyst Shaw Wu. "It's a step in the right direction."

Wu said Dell's hardware business could benefit from exposure to Perot Systems' customers, while Dell's broader services line may look more attractive to more customers. Combining the businesses could also help

Dell find new ways to cut costs.

However, Dell's tech-services business would still be relatively small; EDS had revenue of \$21 billion before HP bought it. IBM's services revenue was \$59 billion last year.

Analysts have been expecting acquisitions from Round Rock, Texas-based Dell, which hired IBM's former mergers and acquisitions chief this year and has raised almost \$1 billion by selling debt securities since March.

The company's revenue comes mainly from the hard-hit PC business, while competitors like HP have a wider set of products and services. As a result Dell's profits have been slumping, down 23 percent in the second quarter.

Following the acquisition, which is expected to close by the end of January, Perot Systems would become Dell's service unit. Dell said it expects additional acquisitions to expand on the business but emphasized that it is looking to hold on to Perot management, including CEO Peter Altabef.

Ross Perot Jr., the chairman of Perot's board, will be considered for a director slot at [Dell](#), the company said.

AP Technology Writer Jessica Mintz in Seattle contributed to this report. ©2009 The Associated Press. All rights reserved. This material may not be published, broadcast, rewritten or redistributed.

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