

# Dell to buy storage provider 3Par for \$1.13B

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(AP) -- Dell Inc. said Monday it is buying 3Par Inc., a maker of enterprise data storage equipment, for about \$1.13 billion in cash.

Dell is offering \$18 per share for 3Par, an 87 percent premium over Friday's closing price for the company of \$9.65. In midday trading, 3Par shares surged 87 percent to \$18.01.

[Dell](#) is the world's second-largest maker of personal computers, behind Hewlett-Packard Co. As PC prices have fallen in recent years, Dell has worked to establish other, more profitable lines of business, though PCs still make up more than half of Dell's revenue. By comparison, information technology consulting services made up 13 percent of Dell's revenue in the quarter ended April 30, and [storage devices](#) made up 4 percent of revenue.

Dell, based in Round Rock, Texas, expects the 3Par acquisition to add to its adjusted profit in fiscal 2012. It says it also plans to invest in added engineering and sales resources at 3Par.

The deal has been approved by the boards of both companies and is expected to close this year.

Dell has made several other storage acquisitions. In July, Dell bought Ocarina, and with it gained technology that helps compress data and remove duplicate information. Terms of the deal were not disclosed. It acquired Exanet, a maker of network storage, in February for \$12 million, and in 2008 it bought storage appliance maker EqualLogic for

\$1.4 billion.

3Par, of Fremont, Calif., make systems designed to make efficient use of available [storage space](#) through so-called "thin provisioning," which makes it easier to add capacity when needed. 3Par had an early lead in this technology, but competitors such as [NetApp](#) Inc., EMC Corp., IBM Corp. and HP are starting to catch up.

David Scott, the CEO of 3Par, said during a conference call Monday that adding 3Par's products to Dell's existing storage offerings creates the strongest lineup in the industry.

"Other vendors will be left in danger of being flat-footed with tired product lines and few options," Scott said.

Dell already resells EMC's products under the Dell/EMC brand, and acquiring 3Par "could negatively impact Dell's relationship with EMC," wrote Kaufman Bros. analyst Shaw Wu in a research note Monday. Wu estimates EMC represents about a quarter of Dell's \$2.2 billion storage revenue in the most recent fiscal year.

Wu also wrote that he thinks \$1.13 billion is a steep price for 3Par.

But other analysts cast a more positive take on the deal. Dell said 3Par's technology is particularly suited to "cloud computing," where many customers may share the capacity of a data center. Dell has been making itself over into a provider of cloud services, and Maynard Um, an analyst at UBS, wrote in a client note Monday that he believes the deal will strengthen the PC maker's position in that area.

Um wrote that he believes Dell's scale and global reach can help 3Par sales grow.

Dell's shares edged up a penny to \$12.02 in midday trading.

In its latest fiscal quarter, which ended March 31, 3Par posted a loss of \$3.2 million, or 5 cents per share, on \$194.3 million in revenue.

3Par was founded in 1999 and went public in November 2007 at \$14 per share.

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