

HP blasts back with new bid for 3Par, besting Dell

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In this file photo taken Aug. 23, 2010, the interior of 3Par headquarters is seen in Fremont, Calif. Hewlett-Packard Co. is raising its offer for data-storage maker 3Par to about \$1.69 billion. That tops rival Dell Inc.'s offer Thursday, Aug. 26, 2010, of \$1.52 billion. (AP Photo/Paul Sakuma, File)

(AP) -- Hewlett-Packard Co. has again raised its bid for 3Par Inc. above an offer from rival Dell Inc., suggesting that the little-known data-storage maker could be worth more with one of the PC companies' marketing muscle behind it.

The latest offer from HP for \$27 per share in cash, or about \$1.69 billion, is nearly three times what 3Par had been trading at before Dell made the first bid last week.

Earlier on Thursday, Dell said 3Par had accepted its second offer of

\$24.30 per share in cash, or \$1.52 billion. Dell made its first offer, \$18 per share, for 3Par on Aug. 16, and HP responded Monday with a bid of \$24 per share.

HP and Dell, two of the world's largest personal computer makers, are looking at 3Par as a way to build up their "cloud computing" businesses, which involve delivering software, data storage and other services to customers over the Internet. Either company would buy 3Par in part to cut data-storage costs.

Before the bidding began, 3Par had been trading at about \$10 per share. Some analysts described even Dell's initial offer price, at two-thirds of HP's latest bid, as too steep.

But Andy Hargreaves, an analyst for Pacific Crest Securities, said Thursday that Dell and HP are willing to pay more than twice 3Par's previous value because they believe they have the marketing and distribution muscle to turn 3Par into a much larger business. Revenue for 3Par in the most recent fiscal year, which ended in March, was \$194 million - less than 1 percent of Dell's revenue in the most recent year.

Dell may have even made what it knew was a low offer to start, Hargreaves said, to take advantage of turmoil at HP, where CEO Mark Hurd had just resigned in the wake of a sexual-harassment allegation against him. Hurd had led HP through many acquisitions aimed at broadening the business beyond PC sales.

In an interview, Hargreaves said HP's first offer showed it "was still willing to make a bid, even if there's no CEO." A response to Dell's second offer indicates that HP is serious about a deal and not just inflating the price to make Dell rethink its pursuit.

Shaw Wu, an analyst for Kaufman Bros., said HP's motives appear

defensive to keep Dell out of the game. He cited the extent of the overlap between HP's own technology and 3Par's promise.

Dell, for its part, may want this deal more because it's more dependent on selling computers than HP. PC sales made up more than half of Dell's revenue in the most recent fiscal year and slightly less than a third at HP.

Dell must also see buying 3Par as a more profitable alternative to reselling storage systems from EMC Corp., a top storage provider, Wu said.

The back-and-forth bidding over previously obscure 3Par underscores how serious the two PC makers are about finding more profitable businesses than selling computers.

The companies that made personal computers affordable and ubiquitous must now draw new buyers by selling more sophisticated PCs at ever-lower prices. The cost of parts, meanwhile, has increased, putting even more of a squeeze on profits.

Cloud computing holds the promise of richer profits for technology providers because many companies aren't buying their own computer servers for certain tasks anymore. Instead, they're paying to have software they would have stored on those machines delivered to them over the Internet.

Dell, HP and others are riding this trend by offering those kinds of cloud-computing services directly on a subscription basis, along with the equipment and software for customers to build their own cloud systems.

One of the reasons cloud computing is attractive is that such systems are designed to be shared by multiple customers, which spreads out the cost of operating expensive equipment. Storage machines from 3Par are

made for this kind of system, where computers need to ramp up or scale down quickly based on demand in order to give all the customers the same high level of service.

The struggle for 3Par may continue. The agreement between Dell and 3Par gives Dell the chance to match HP's current offer. And both Dell and HP can afford to keep bidding for 3Par.

Even though Dell is half HP's size by revenue, Dell has almost as much cash as HP. Dell reported \$12.4 billion in cash and short-term investments at the end of last quarter. HP had \$14.7 billion.

"We'll take some time, assess the situation and act in the best interests of our customers and shareholders," Dell spokesman Jess Blackburn said in a statement.

John D'Avolio, a 3Par spokesman, had no comment.

In extended trading after HP announced its latest offer, shares of the Palo Alto, Calif.-based company slipped 18 cents to \$38.04. In regular trading earlier, HP's stock dipped 2 cents to close at \$38.22 Thursday.

Shares of Dell, which is based in Round Rock, Texas, dropped 4 cents to \$11.71 in extended trading after falling 3 cents earlier to close at \$11.75.

Shares of 3Par, based in Fremont, Calif., saw its stock bounce up \$1.79, nearly 7 percent, to \$27.82, which is above HP's latest offer price. Its shares ended regular trading down 73 cents, or 2.7 percent, at \$26.03.

Dell and 3Par had also said Thursday they changed their agreement to make it slightly more painful for 3Par to accept another offer, in the form of a termination fee of \$72 million it would pay to Dell. The fee before was \$53.5 million.

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