

Dell cedes data-storage maker 3Par to HP

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In this file photograph taken Feb. 16, 2010, the exterior of Hewlett Packard headquarters is shown in Palo Alto, Calif. The bidding is heating up between computer makers Hewlett-Packard Co. and Dell Inc. for the data storage company 3Par Inc., Thursday, Sept. 2, 2010. Even before Dell could make its latest offer public, HP has come back with a higher bid. (AP Photo/Paul Sakuma, file)

(AP) -- Dell Inc. is walking away from a bidding contest with rival Hewlett-Packard Co. for data-storage maker 3Par Inc.

Dell said Thursday it won't match HP's offer to pay \$33 per share for 3Par, or about \$2.07 billion. Dell's decision came barely an hour after

3Par announced it had received Dell's revised offer of \$32 per share and then the even stronger bid from HP.

In a statement, 3Par said Dell's revised offer contained new terms that it found unacceptable, including a multiyear reseller agreement with Dell that would remain in effect even if 3Par were to be bought by another company.

The board of 3Par deemed HP's offer superior. It's 83 percent above Dell's first offer and more than three times what 3Par stock was trading at then.

"We took a measured approach throughout the process and have decided to end these discussions," said Dave Johnson, Dell's senior vice president for corporate strategy.

Shares of 3Par increased 74 cents, or 2.3 percent, to \$32.82 in morning trading Thursday. Before Dell conceded, 3Par shares were trading as high as \$33.84 as investors expected Dell to match or beat HP's \$33-per-share offer.

Dell shares jumped 15 cents, or 1.3 percent, to \$12.29, while shares of HP, which is based in Palo Alto, Calif., increased 21 cents, or 0.5 percent, to \$39.42.

Dell, which is based in Round Rock, Texas, made the first offer for 3Par on Aug. 16, at \$18 per share. As part of an agreement between the two companies, Fremont, Calif.-based 3Par must pay Dell a \$72 million termination fee.

HP and Dell, two of the world's largest personal computer makers, were looking at 3Par as a way to build up their data center and "cloud computing" businesses, delivering software, data storage and other

services to customers over the Internet.

Both companies are racing to expand beyond the PC business, where profits are shrinking. Computer makers have been slashing prices to stay competitive, while the cost of LCD screens, memory and other parts has increased.

The hardware and consulting services that Dell, HP and others sell to big enterprises come with richer profits; now, technology providers see cloud computing as the next area of big growth and sweeter profits.

Increasingly, 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 taking advantage of the nascent trend by offering cloud-computing services on a subscription basis and selling equipment and software to help customers build their own cloud systems.

Cloud computing can help reduce data-center expenses because the systems are designed to be shared by multiple customers, which spreads out the cost of operating pricey equipment. The servers and storage computers need to ramp up or scale down quickly based on demand to give all the customers the same high level of service. Storage machines from 3Par are made for that kind of system.

Analysts have been divided on whether buying 3Par was a make-or-break move for either Dell or HP. HP has its own line of high-end storage appliances similar to what 3Par could bring, while Dell resells technology from data-storage leader EMC Corp.

Shaw Wu, a Kaufman Bros. analyst, questioned the extent to which Dell

or HP would benefit in the near term from buying 3Par. In a recent interview, Wu likened the bidding for 3Par with the contest last year between EMC and rival NetApp Inc. for a company called Data Domain. EMC ultimately won.

"One could argue, has it really transformed EMC? Not really," Wu said. "Has not buying - has it hurt NetApp? Not really."

But Forrester Research analyst Andrew Reichman took the opposing stance.

"I think that in this acquisition, both HP and Dell cannot afford to lose," said Reichman.

The analyst said he doesn't believe there's another comparable company that Dell could buy to round out its product line.

HP's own technology is also aging, Reichman said. He said that if HP lost after being willing to pay so much for 3Par, it would have had a hard time convincing customers that its existing line of storage system was adequate.

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