

Analysis: Worst nightmare for Dell, Microsoft?

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Microsoft CEO Steve Ballmer's worst nightmare might go like this: PC juggernaut Dell becomes downtrodden enough to be private equity bait and Apple so rich investors sue to get at its cash.

But this is no dream; the technology landscape's transformation is unfolding in ultra-high definition. [Dell](#) is going private in a \$24.4 billion leveraged buyout after years of struggling to regain PC-maker dominance. [Apple](#), which could never snare more than a slice of the market-share pie despite awe-inspiring design and PC genius, is so device-revenue rich that shareholders are lawyering up to get at its mountain of cash.

[Michael Dell](#)'s decision to let private equity investors pick apart his namesake brand is the biggest concession to date of a battered industry. Dell's largest shareholder is frustrated enough to try to thwart the former [computer giant](#)'s rehab strategy: retreat from a low-margin business to fashion a blueprint for success in a world where smartphones and tablets are the "PC" of choice.

The morphing of Apple from David into Goliath is complete. While Dell needs capital and innovation, Apple is afloat in a sea of cash and content consumers. The pirates are circling. On Thursday, billionaire [hedge fund manager](#) David Einhorn's Greenlight Capital filed suit to force Apple to divvy up a portion of its \$137 billion cash treasure chest.

It seems like eons ago that Microsoft founder Bill Gates was beamed up

on the MacWorld Expo stage to offer Apple visionary Steve Jobs \$150 million and merciful promises to ship future Office software to Macs. The year was 1997.

The most contrarian of forecasters could not have foreseen that Dell or Ballmer would devolve into two of the tech world's laughingstocks. Ridiculing Apple's unwillingness to join the PC herd was only one of the signs of overbearing hubris.

The iPhone's debut elicited chuckles from Ballmer: "I said 'man, that is the most expensive phone in the world,' and it doesn't appeal to business customers because it doesn't have a keyboard."

Dell, upon learning that Jobs had humbled himself and taken Gates' handout, had a few words of advice about Apple: "What would I do? I'd shut it down and give the money back to the shareholders."

Fast forward to 2013 and Dell is getting a \$2 billion helping hand from Microsoft to give the money directly back to stockholders at \$13.65 a share, rather than plowing it into the company's future.

For Ballmer and his once-arrogant cohorts, the nightmare's sequel is already in production as the clock ticks on Hewlett-Packard's future in PCs.

Stay tuned.

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