

# Michael Dell's days as CEO may be numbered

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Could Michael Dell lose it all? With a bidding war now underway for Dell, efforts by its founder to regain control of the once-mighty computer maker could be backfiring.

Dell announced Monday that it had received two competing offers - one from a group led by [private equity firm](#) Blackstone Group and the other from activist investor [Carl Icahn](#). The rival bids came after investors slammed [Michael Dell's](#) \$24.4 billion buyout plan, saying it undervalued the [company](#).

If one of the competing offers is accepted, it could be a blow to Chief Executive Michael Dell, who last month announced a deal to take the company private in the biggest leveraged buyout since the Great Recession. He'd hoped going private would help the company turn around by getting away from the glare and pressures of Wall Street.

Under the buyout plan proposed last month, the Round Rock, Texas, company would be acquired by Michael Dell and [global technology](#) investment firm Silver Lake Partners, with a \$2 billion investment from [Microsoft Corp.](#) Dell stockholders would receive \$13.65 in cash for each share of Dell [common stock](#) they hold.

The company had said it would solicit competing offers for 45 days; at the time, many analysts said they didn't expect a counteroffer to emerge for the weakened [technology company](#).

Now, faced with competing bids, Michael Dell and Silver Lake could come back and "sweeten the deal," said Jayson Noland, a senior analyst at Robert W. Baird & Co. "I wouldn't rule it out."

"For Michael, this is a little less about the monetary aspects of what he's going to buy it and sell it for, and a little more about his legacy and him participating in the next stage of Dell. It's his company, his name on the door, and I don't think he would want to leave."

Still, depending on the outcome of the bidding war, Dell's days at the company he founded nearly three decades ago in his University of Texas-Austin dorm room could be numbered.

Although Dell became a PC-selling juggernaut with its hyper-efficient supply chain - in 2000, at the height of the dot-com boom, Dell was the world's largest PC maker with a market value of more than \$100 billion - it has struggled in the post-PC era.

Already, other names have surfaced as possible replacements for Michael Dell to run the company, including former Hewlett-Packard Co. CEO Mark Hurd.

"Michael's been back in the role of CEO for a while now, and things haven't gotten better," Noland said. "I don't know that there's a perfect candidate to turn this company around."

Whoever winds up with the company will have challenges in getting it back on track, analysts said. Despite its recent efforts to transform itself into a company with a broader portfolio, about two-thirds of Dell's revenue is still tied to PCs and related products such as keyboards and monitors - problematic considering the swift rise of mobile devices. Its market value has fallen to \$25.35 billion.

In coming years, analysts project, almost all growth in consumer electronics will come from tablets and smartphones, while sales of PCs will decline; some market research firms are forecasting double-digit unit declines for PCs in the first quarter this year.

To diversify its business, Dell has spent about \$13 billion in acquisitions since 2008 and has expressed interest in increasing its presence in data center technologies including servers, storage, network and infrastructure software. As it moves more into those areas, though, it will run into competition from rivals that they haven't competed with aggressively in the past, analysts said.

During an interview with the Los Angeles Times this month, Neil Hand, Dell's vice president of end-user computing, conceded that Dell's reputation has suffered in recent years but said the company had a "no-lose philosophy" in place.

"There's no single magic bullet on this," Hand said. "We have a ways to go before we get that perception back."

In particular, the company - which has seen more success in the business and enterprise side - would like to strengthen its appeal to consumers. It has been touting its tablet-laptop hybrids, enabling users to have the workhorse capabilities of a traditional PC without sacrificing the portability of a tablet, and recently introduced an 18-inch tablet.

On Monday, Dell's board said that a special committee of four independent directors had determined that the alternative plans "could reasonably be expected to result in superior proposals, as defined under the terms of the existing merger agreement."

"The special committee intends to continue negotiations with both," the board said.

Shares of Dell are up about 43 percent year to date.

There's a possibility that Michael Dell, who holds about a 16 percent stake in the company, could join one of the other takeover bids. The board's special committee noted that he "has confirmed to the committee his willingness to explore in good faith the possibility of working with third parties regarding alternative acquisition proposals."

Under Blackstone's proposal, shareholders could choose cash or stock: They could opt to receive a cash payout that Blackstone said would be more than \$14.25 per share, or they could remain as shareholders and receive shares, subject to a cap, that would be valued in excess of \$14.25; those shares would continue to be publicly traded.

"We believe there is significant upside in the Dell businesses, we see significant upside in the value of Dell's shares, and our proposed transaction structure will deliver significantly greater value to your shareholders than the value agreed to in the merger agreement," said Blackstone's proposal offer letter that Dell made public Monday. The firm said it would expect to encourage Michael Dell to participate in its transaction.

Icahn, meanwhile, proposed giving current shareholders shares in the new company on a one-for-one basis or allowing them to receive \$15 a share in cash. The cash payout would be capped at \$15.65 billion, which means some shareholders who wanted cash could wind up with stock instead.

After [Dell](#)'s board announced the rival bids, the company released a brief statement: "As the board's special committee continues to oversee its process, we remain focused on our customers and on providing innovative products and solutions to help them succeed and better compete in the marketplace."

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