

Icahn to seek court appraisal of \$24.4B Dell deal

July 10 2013, by Michael Liedtke

Billionaire investor Carl Icahn will ask a judge to assess the fairness of a proposed \$24.4 billion acquisition of struggling personal computer maker Dell in his latest attempt to wrangle a higher price from a group of buyers that includes company CEO Michael Dell.

The legal move outlined Wednesday may end up being one of the last gasps in Icahn's crusade to prove that Michael Dell and other investors led by Silver Lake Partners are trying to snap up the world's third largest PC maker at a steep discount to its long-term value.

Icahn has backed up his belief by accumulating a nearly 9 percent stake in Dell Inc. in hopes that he could flush out a deal that would be worth more than the \$13.65 per share that Michael Dell and Silver Lake have agreed to pay for a Round Rock, Texas company that has fallen on hard times as more consumers and companies buy smartphones and tablets instead of laptop and desktop machines.

Michael Dell is betting that he will be able to revive the company that he founded in 1984 by cutting costs, overhauling the sales force and diversifying into more profitable technology niches, such as [business software](#), [data storage](#) and analysis and consulting services. The changes are likely to lower Dell's earnings, the main reason that Michael Dell wants to engineer the turnaround away from the [financial pressures](#) of Wall Street.

If the current bid is accepted, Dell would become a privately held

company for the first time in 25 years.

Dell's shareholders will get their chance to accept or rebuff the offer at a July 18 meeting. The bid must be backed by slightly more than 42 percent of Dell's outstanding stock because Michael Dell's nearly 16 percent stake in the company is being excluded from the count.

Before next week's meeting, Icahn is urging the rest of Dell's shareholders to join him in asking a court in Delaware, where Dell is incorporated, to determine whether Dell is worth more than \$13.65 per share. Shareholders who pursue a court appraisal also will have to oppose the deal with Michael Dell.

In his letter, Icahn depicts the appraisal option as a "have your cake and eat it too" option because shareholders will still have the chance to change their minds and accept the \$13.65 per share at a later date. Demanding an appraisal could be used as a bargaining chip, Icahn reasons, because Dell and Silver Lake might be willing to pay the dissident shareholders a slightly higher price to rid themselves of a legal headache.

But the no-lose scenario envisioned by Icahn would fall apart if a majority of the shareholders eligible to vote spurn the offer from Michael Dell and Silver Lake. An appraisal would become a moot point in that situation and shareholders would be left holding a stock that analysts believe would probably plunge below \$10 because of the challenges facing Dell, which has already been hurt by crumbling profit margins and steadily declining revenue.

Dell's stock dipped by a penny to \$13.35 in Wednesday's late afternoon trading.

As part of his maneuvering, Icahn has proposed three different

alternatives to the deal that Dell Inc.'s board accepted five months ago. None, including an offer to buy nearly two-thirds of Dell's outstanding stock for \$14 per share, has swayed the board from its support of the deal with Michael Dell and Silver. What's more, Dell's board says its representatives contacted more than 70 potential suitors without finding any willing to ante up more than \$24.4 billion.

The reluctance of other suitors to make a higher offer could make it more difficult to persuade a judge that Dell and Silver Lake should be required to pay more.

Icahn's efforts to block the deal with Michael Dell suffered another blow earlier this week when a trio of shareholder advisory firms recommended accepting the current offer instead of risking exposure to a PC market that is expected to deteriorate through at least the rest of this year.

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