After delays, Dell sets new path under private buyout

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A man looks at a Dell computer on sale at a Staples store in Miami on November 11, 2007. After a bruising shareholder battle, Dell appears set for a new path under a private equity buyout aimed at reviving the fortunes of the former number one computer maker.

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A shareholder vote Thursday appears set to give control of the US tech giant to its founder, Michael Dell, in a go-private deal worth some $25 billion backed in part by the investment firm Silver Lake.

The vote had been delayed three times over the past few months, amid fierce opposition from some shareholders led by billionaire investor Carl Icahn, who called the plan a "giveaway."

But after a modified voting process was approved to exclude nonvoting shares from the tally, Icahn acknowledged defeat this week.

The move will likely give another chance to Dell, which missed the tech sector shift to mobile devices away from desktop and laptop PCs.

"Shareholders will benefit from Michael Dell-Silver Lake's proposal, as it not only shifts the restructuring risk to the buying consortium, but also frees up cash that can be invested elsewhere for higher returns," said a note from the research firm Trefis.

But Dell's future is far from guaranteed, as it seeks to move into software and services to make up for the steep declines in the PC business.

"It's a very risky situation for Dell," said Roger Kay, analyst at Endpoint Technologies Associates.

Kay said Dell will have difficulty reshaping the company but that "they now have permission to shift the focus of the enterprise more rapidly."

Analysts say Dell needs some radical changes, and that such moves are harder as a public company where shareholders press for quarterly profit targets.

"I think at this point you have to give it a couple of years to know if its working," Kay said.

Kay said Dell needs to look at "trimming" its consumer products, like PCs, which are still in steep decline but that it has "to get through the eye of the needle" on enterprise services, where it goes up against rivals like IBM.

The buyout plan now appears set to succeed after the Dell special panel examining options agreed on a process that would require a majority of shares voted, instead of a majority of all outstanding shares not affiliated with Michael Dell.

Icahn said this change in the voting procedure made it "almost impossible to win the battle" at Thursday's shareholder meeting, but maintained that the plan "undervalues" Dell.

Dell, once the world's biggest PC seller, has fallen behind rivals Lenovo and Hewlett-Packard and faces pressure because of slumping computer sales. A recent survey showed worldwide sales of personal computers dropped for a fifth consecutive quarter in the April-June period.

Dell has failed in smartphones and tablets, but has seen some success in software and business services through its acquisitions.

Dell said last month its quarterly profit plunged 72 percent from a year ago to $204 million as it felt the impact of weak PC sales.

It was the company's seventh consecutive decline in profits.

The Dell special panel said in July the personal computer business appears even bleaker than earlier forecasts, and that Dell still relies on the PC segment for two-thirds of its revenues.

Michael Dell has indicated he would "invest for growth" and compete aggressively in new markets if he wins the battle.

Under his plan, Dell would hire more sales personnel and "invest for growth in the PC and tablet business... to enhance our ability to compete," according to the memo he filed with stock market regulators earlier this year.

"While Dell's strategy in the PC business has been to maximize gross margins, following the transaction, we expect to focus instead on maximizing revenue and cash flow growth with the goal of improving long-term sales and competitive positioning."

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