

## HP's big deal: Tech giant buys Aruba Networks for \$2.7B

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This Nov. 14, 2011 photo, shows the company logo on a Hewlett-Packard keyboard at the Micro Center computer store in Santa Clara, Calif. Hewlett-Packard is buying wireless networking company Aruba Networks for about \$2.7 billion, the biggest acquisition by HP in recent years, the company announced Monday, March 2, 2015. (AP Photo/Paul Sakuma, File)

Hewlett-Packard is buying wireless networking company Aruba Networks for about \$2.7 billion, in what amounts to HP's first major

acquisition since its disastrous purchase of a British software company in 2011.

Aruba, based in Sunnyvale, California, makes Wi-Fi networking systems for shopping malls, corporate campuses, hotels and universities. Its business has grown as more people are using mobile devices at work, school and elsewhere. Aruba may help HP capitalize on that trend, which has cut into sales of traditional HP products such as desktop computers.

The deal also could help HP compete with tech rivals such as Cisco Systems and gain new access to Asian markets, particularly in China. Cisco currently sells about half of all commercial wireless networking gear worldwide, according to UBS analyst Amitabh Passi. He estimates HP and Aruba combined will account for 20 percent of global sales for such systems.

HP is seeking to expand its tech portfolio for business customers at a time when it is preparing to split into two companies—one focused on selling computer systems and software to businesses, and the other selling personal computers and printers. That's part of HP CEO Meg Whitman's plan for confronting a recent decline in sales.

Buying Aruba gives HP "a faster growing, higher margin business that fills a portfolio need without 'betting the ranch'," Bernstein analyst Toni Sacconaghi wrote in a note Monday.

Palo Alto, California-based HP is one of the industry's giants, with \$111 billion in sales last year, but it has struggled to adapt to recent tech trends and shifting customer preferences. Whitman has focused on cutting costs and reorganizing since she took the CEO job in 2011. She recently signaled she was ready to resume making strategic acquisitions, after buying a pair of small software companies last year.

HP made a number of multi-billion-dollar acquisitions under two CEOs who preceded Whitman, and some of those deals proved costly. HP paid about \$11 billion for British software maker Autonomy in 2011. A year later, it was forced to write off \$8.8 billion of that purchase as a loss, while blaming accounting irregularities that it said had inflated the value of Autonomy's business.

With the Aruba deal, HP is paying \$24.67 in cash for each Aruba share. That is slightly below Aruba's closing price of \$24.81 on Friday, but marks a 37 percent premium to the roughly \$18 that Aruba shares were trading for before talks with HP were reported last week.

Boards of both companies have approved the deal, which they said would be worth about \$3 billion after factoring in cash and debt on Aruba's balance sheet. Aruba had \$729 million in sales last year.

In midday trading, Aruba Networks Inc. shares fell 40 cents, or 1.6 percent, to \$24.41, Hewlett-Packard Co. shares slipped 19 cents to \$34.65.

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