

Salesforce stock soars on takeover talk centering on Oracle

April 29 2015, by Michael Liedtke

Investors are betting that business software service company Salesforce.com will be sold, with Oracle Corp. emerging as the early favorite to pull off a deal that could cost about \$50 billion.

The speculation, spurred by a Bloomberg News report, lifted Salesforce's stock by \$7.76, or more than 11 percent, to close Wednesday at \$74.65.

If it were to happen, an Oracle acquisition of Salesforce would likely be the most expensive ever for a software maker and reunite two of Silicon Valley's most colorful characters.

Salesforce.com CEO Marc Benioff founded his San Francisco company in 1999 shortly after leaving a post as a top executive at Oracle. There he became so close with Oracle Chairman Larry Ellison that the two used to go on double dates together. The relationship resulted in Ellison putting up \$2 million to become one of Salesforce's initial investors, though he later was ousted from the company's board when Benioff discovered his former boss had secretly been building a competing product.

Benioff, though, retained the flamboyant Ellison's flair for showmanship while emerging as an outspoken evangelist for "cloud computing"—the concept of making software applications available on any device with an Internet connection instead of licensing programs to be installed on the disk drives of individual computers.

Ellison originally dismissed cloud computing as a passing fancy, but Oracle is now scrambling to expand in the field as more customers defect to subscription services run by Salesforce and other up-and-coming rivals such as Workday Inc.

Citing unnamed people familiar with the matter, Bloomberg News reported an unnamed company had approached Salesforce about a possible takeover. The inquiry prompted Salesforce to hire advisers to consider other possible offers, according to Bloomberg.

Salesforce declined to comment. Oracle didn't respond to a request for comment.

Ellison, who stepped down as Oracle's CEO last year, has engineered dozens of acquisitions during the past decade, including two major deals for companies run by two of his former subordinates. Oracle paid about \$11 billion to buy PeopleSoft, whose CEO was former Oracle executive Craig Conway, and about \$6 billion for Siebel, whose CEO and founder, Tom Siebel, had also defected from Oracle.

FBR Capital Markets analyst Daniel Ives said he believes Oracle is the most logical buyer for Salesforce. "Ultimately, we view this more as Oracle trying to make a bold, decisive move to stake its claim in the cloud before it falls even farther behind," Ives wrote in a Wednesday research note.

Oracle also could afford the steep price it would take to devour Salesforce. Oracle already has nearly \$44 billion in cash and could easily borrow whatever else it needed to pay Salesforce's asking price, which figures to be above its current market value of \$47 billion.

Other potential bidders for Salesforce include IBM Corp., Hewlett-Packard Co. and Microsoft Corp., Ives said.

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Citation: Salesforce stock soars on takeover talk centering on Oracle (2015, April 29) retrieved 19 April 2024 from

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