

# Red Hat soar on IBM deal

October 29 2018

---



In this April 26, 2017, file photo, pedestrians walk past the IBM logo displayed on the IBM building in New York. Shares of Red Hat skyrocketed at the opening bell Monday, Oct. 29, 2018, after IBM, in the biggest acquisition in its 100-year history, acquired the software company. (AP Photo/Mary Altaffer, File)

Shares of Red Hat skyrocketed at the opening bell Monday after IBM, in the biggest acquisition of its 100-year history, acquired the software company.

The \$34 billion [stock deal](#) translates to \$190 per Red Hat share—a 63

percent premium to the closing price Friday for the Raleigh, North Carolina [company](#). Red Hat Inc.'s stock soared almost 50 percent in early trading.

The path for revitalization for New York's IBM may be found in cloud technology, a driving force behind the blockbuster deal for Red Hat over the weekend.

"This is about resetting the cloud landscape," Chairman and CEO Virginia Rometty said Monday in a conference call.

The hybrid cloud—when companies use a mix of on-site, private and third-party public cloud services—is an emerging \$1 trillion opportunity that the companies want to be prepared for, Rometty said.

The deal requires the approval of Red Hat shareholders as well as U.S. regulators. It is targeted to close in the latter half of 2019, but there is a good chance that others may wish to make a counterbid.

That prospect sent shares up 47 percent in early trading, close to an all-time high.

"We have long-stated that Red Hat is a strategic asset and while we are not aware of any merger and acquisition discussions or negotiations, we would not be surprised if a hyperscale cloud vendor such as Google, Amazon, Microsoft, or Oracle make a competing bid given Red Hat's strategic position within on-premise datacenters (over 100K customers)," wrote Stifel's Brad Reback.

IBM's stock slipped more than 1 percent Monday.

© 2018 The Associated Press. All rights reserved.

Citation: Red Hat soar on IBM deal (2018, October 29) retrieved 27 April 2024 from <https://phys.org/news/2018-10-red-hat-soar-ibm.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.