

## Dell panel reiterates backing for founder's buyout (Update)

March 29 2013, by Veronique Dupont

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Dell Chairman and CEO Michael Dell speaks on October 4, 2011 in San Francisco, California. The special committee set up by Dell to explore a sale of the computer giant renewed its backing Friday for the buyout led by founder Dell but said it would continue talks on alternate bids.

The special committee set up by Dell to explore a sale of the computer giant renewed its backing Friday for the buyout led by founder Michael Dell but said it would continue talks on alternate bids.

The panel, which now faces an apparent bidding war, said the offers from billionaire corporate raider Carl Icahn and investment fund Blackstone Group had not yet been finalized, so it was not clear if they were better for shareholders.

"We intend to work diligently with both of them to assist them in their respective due diligence reviews of the company and to seek definitive proposals that would constitute a superior proposal to the current Silver Lake and Michael Dell transaction," it said in a statement.

"Michael Dell has confirmed his willingness to explore participating in alternative acquisition proposals. However, there can be no assurance that either non-binding alternative acquisition proposal will ultimately lead to a superior proposal."

A Dell spokesman said preliminary documents filed with the US Securities and Exchange Commission opened a period of five to 10 weeks during which any alternate plans can be reviewed.

The new offers suggested Dell could bring a higher value than the \$24.4 billion proposed in the initial buyout offer, analysts said.

The initial offer, backed by the investment firm Silver Lake with a loan from Microsoft, amounted to \$13.65 per share.

The proxy statement said, however, that it was unclear whether a higher offer was merited because of the challenges of the PC industry.

The document cited "significant and increasing competition from efficient, low-cost manufacturers relying primarily on a build-to-stock business model, rather than the build-to-order business model historically used by the company, and from manufacturers of innovative, higher-margin PC products, which competition could result in reduced

profit margins, further loss of market share for the company's products and services, or both."

It also cited "the uncertain adoption of the Windows 8 operating system and unexpected slowdowns in enterprise Windows 7 upgrades, increasing consumer interest in tablets and smartphones."

After the private buyout was unveiled in February, some investors claimed it undervalued a company that once was the world's biggest PC maker and pledged to vote against the deal.

The new bids were unveiled Monday, although some details were lacking.

Blackstone proposed a "leveraged recapitalization" that would offer existing shareholders \$14.25 per share but allow those who want to hold onto shares to do so.

Under the deal, shares would remain publicly traded on the Nasdaq.

The Icahn offer would inject an additional \$5 billion into Dell, paying \$15 per share for up to 58 percent of Dell shares.

The existing shareholders would have their shares rolled over into a new company, with Icahn controlling 24.1 percent, Southeastern Asset Management 16.6 percent and T. Rowe Price 9.3 percent.

The latest statement from Dell said a leveraged recapitalization would create risks for shareholders, including higher debt ratios for Dell.

"We as a committee believe strongly that a transaction that shifts to the buyer the risks associated with Dell's business, at an acceptable valuation, would be beneficial for Dell's shareholders," the statement

said.

It added that the offer led by Michael Dell "shifts the risk to the buyer "while providing (an) attractive and certain cash premium."

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Citation: Dell panel reiterates backing for founder's buyout (Update) (2013, March 29) retrieved 20 September 2024 from <https://phys.org/news/2013-03-dell-panel-reiterates-founder-buyout.html>

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