

Report: Blackstone drops out of race to buy Dell

The Associated Press

Buyout specialist Blackstone Group has abruptly ended its courtship of Dell Inc. less than a month after saying it intended to trump a deal with the slumping computer maker's CEO, according to a report published late Thursday.

The Wall Street Journal said that the Blackstone Group scrapped a plan to buy most of Dell Inc.'s outstanding stock for \$14.25 per share. The newspaper cited unnamed people familiar with the matter in a story.

Blackstone, which is based in New York, didn't immediately respond to requests for comment.

If Blackstone has backed out, Dell's board will have to disclose the change of heart. That would likely come in a regulatory filing or press release Friday.

Losing a potential bidder would be a setback to Dell shareholders unhappy about the Round Rock, Texas company's agreement to sell itself to CEO Michael Dell and a group of investors led by Silver Lake Partners for \$24.4 billion, or \$13.65 per share. Dell's stock has been trading above that price for most of the time since the deal with Michael Dell was announced in early February, signaling investors were betting other bidders would emerge with a better offer.

A special committee on Dell's board had said it believed Blackstone's proposal could be more lucrative than the deal struck with Michael Dell and Silver Lake. But the committee wanted to review the formal terms of Blackstone's bid before making a final assessment. That competing offer has now apparently evaporated.

A bidding duel for Dell could still unfold. Billionaire investor Carl Icahn, known for his irascibility, also has submitted a preliminary proposal to pay up to \$15 per share for 58 percent of Dell's stock.

Blackstone's about-face comes amid more evidence of the deteriorating conditions in the PC market as more technology spending shifts to smartphones and tablet computers. Worldwide PC shipments plunged by 14 percent in the first three months of the year, according to International Data Corp., the steepest quarterly decline during the 19 years that the research firm has been tracking the market. Dell's PC sales slipped 11 percent during the quarter, leaving it as the world's third largest maker of laptop and desktop machines.

Michael Dell believes he can turn around the company by diversifying into more profitable niches such as business software, data storage and consulting. It could be a wrenching process, something that Michael Dell believes he will be able to do if he doesn't have to worry about Wall Street's fixation on short-term results. Under the deal with Michael Dell and Silver Lake, Dell Inc. would end its 25-year history as a

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Published on Electronic Component News (<http://www.ecnmag.com>)

publicly traded company.

In a show of confidence in his plan, Michael Dell is contributing \$4.5 billion of his cash and stock to the proposed buyout. Loans would provide most of the rest of the financing.

Shareholders opposed to the current \$24.4 billion deal would prefer to be able to retain some stock in Dell Inc. so they can reap some of the gains from the recovery that Michael Dell envisions.

Dell Inc. has agreed to cover up to \$25 million in expenses that Blackstone incurred while exploring its bid.

Source URL (retrieved on 04/25/2015 - 11:07pm):

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