

Michael Dell to buy back 'his' company

NEW YORK, USA: Dell unveiled plans on Tuesday (5 February) to delist the company in a private buyout worth US\$24.4bn that is being led company founder Michael Dell.



"I believe this transaction will open an exciting new chapter for Dell, our customers and team members," Michael Dell said when unveiling the deal with investment firm Silver Lake, and backed by a US\$2bn loan from Microsoft.

The company said it had signed "a definitive merger agreement" that gives shareholders US\$13.65 a share in cash -- a premium of 25% over Dell's closing share price on 11 January, before reports of the deal circulated.

The move, which would delist the company from stock markets, could ease some of the pressure on Dell, which is cash-rich but has seen profits slump.

The Texas-based computer maker, which Dell started in his college dormitory room, was once one of the world's richest computer companies with a market capitalisation of US\$100bn.

The buyout plan is subject to several conditions, including a vote by shareholders.

It calls for a "go shop" period to allow shareholders to determine if there is a better offer floating around for the company.

"We can deliver immediate value to stockholders, while we continue the execution of our long-term strategy and focus on delivering best-in-class solutions to our customers as a private enterprise," Michael Dell said.

The company founder said Dell has made progress in its turnaround strategy "but we recognise that it will take more time, investment and patience. I believe our efforts will be better supported by partnering with Silver Lake in our shared vision," he said.

"I am committed to this journey and I have put a substantial amount of my own capital at risk together with Silver Lake," he added.

Terms

Under the terms of the deal, Michael Dell, who currently owns 14% of Dell's common shares, would remain chairman and chief executive and boost his stake with "a substantial additional cash investment," a company statement said.

Cash for the deal will come from Silver Lake, a major technology investment group, and MSD Capital, a fund created to manage Michael Dell's investments.

The plan also calls for a US\$2bn loan from Microsoft, roll-over of existing debt and financing that has been committed by Bank of America-Merrill Lynch, Barclays, Credit Suisse and RBC Capital Markets.

The company statement said a special committee was formed after Michael Dell first approached the board in August 2012 with the idea.

The effort was headed by lead director Alex Mandl, with advisors JP Morgan and law firm Debevoise & Plimpton LLP.

Analysts have said the deal may give the company a chance to regain some footing in a market in which smartphones and tablets are overtaking laptop and desktop computers.

"Assuming the transaction is concluded, Michael Dell would be free to execute his turnaround plan without public scrutiny and his majority ownership stake would give him the flexibility to do what he sees fit in order to drive long-term value," said Deutsche Bank's Chris Whitmore in a research note this week.

The analyst added that Dell "could get more aggressive" in its enterprise software and cloud services, to make the company less dependent on personal computers.

Dell is now the number three global PC maker, behind Hewlett-Packard and Lenovo, according to the latest report from market tracker IDC, showing Dell's market share of 10.6%.

Source: *AFP* via I-Net Bridge

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