

UK tech sector in shakeup under Hewlett Packard deal

LONDON: British group Micro Focus will merge with some of Hewlett Packard Enterprise's software assets, the pair said, in a further consolidation of the global tech sector after SoftBank's blockbuster purchase of ARM Holdings.



The deal creates an entity worth \$8.8 billion that will be "one of the world's largest pure-play enterprise software companies," the two said in a statement. Shares in Micro Focus soared more than 16% in early London trade Thursday.

String of mergers

It marks the latest in a string of tech sector mergers and acquisitions, topped by Japanese mobile firm SoftBank's vast \$32 billion takeover of British iPhone chip designer ARM Holdings in July.

"With today's announcement, we are taking another important step in achieving the vision of creating a faster-growing, higher-margin, stronger cash-flow company well-positioned for our customers and for the future," HPE chief executive Meg Whitman said in a statement, unveiling the deal late Wednesday.

The move comes after the breakup of computer giant Hewlett Packard last year into two companies: software and services HPE and computer and printer maker HP Inc. HPE shareholders will get 50.1% ownership of the new combined company to be entitled HPE Software and a \$2.5 billion cash payment. HPE Software and Micro Focus will have combined annual revenues of \$4.5 billion and operating profit - as measured by EBITDA, or earnings before interest, tax, depreciation and

amortisation - of \$1.35 billion.

The deal is the biggest announced purchase of a foreign target by a British firm since voters opted to quit the European Union in June. "The merger will create one of the world's largest infrastructure software companies with leading positions across a number of key products," Micro Focus chairman Kevin Loosemore said.

Other headline-grabbing takeovers recently have included Microsoft's \$26-billion acquisition of social media company LinkedIn, and US cyber security leader Symantec's \$4.65-billion purchase of Blue Coat Inc. Separately Wednesday, [Intel announced plans](#) to spin off its cyber security operations as an independent company under the name McAfee, as the US giant also sought to offload non-core operations.

"The tech sector is going through a rapid phase of consolidation. Tech is leading (the) deal market this year - as it did in 2015," ETX Capital analyst Neil Wilson told AFP. "The pace of tech deals is the second fastest ever after 2000, while the number of deals across the rest of the market is down."

British doing the buying

After ARM Holdings was snapped up in July, the latest merger also illustrates that British companies are able to do the buying, Wilson said. "After Arm Holdings was sold to SoftBank, it's also a sign that the UK tech sector is still capable of making deals in the other direction," he added.

"It's a confident move - it would be the biggest acquisition by a British company of a foreign tech firm and comes in the face of a massive drop in the value of the pound that has made UK firms the target of overseas bidders."

Analyst Markus Huber, of City of London Markets, said the developments were partly down to the fact that British tech companies were "simply very good in what they are doing".

A weakening of the pound in the last few years has also made British marketplace a sweeter proposition, he told AFP. "Despite all the Brexit talk and negative fall-out which many fear will follow, the fact is that the UK is and will remain a very attractive market place where foreign companies are not only eager to be well placed in, but also where they can't afford not to be in the first place," he said.

Source: AFP

For more, visit: <https://www.bizcommunity.com>