Dell Looks to Calm Shareholder Concern over Buyout

Associated Press

NEW YORK (AP) — Dell is trying to reassure shareholders about its proposed $24.4 billion acquisition by a group led by its founder, saying it considered a number of strategic options before agreeing to the deal.

Dell Inc. laid out the advantages of the transaction in a regulatory filing Monday, three days after a major shareholder ridiculed the buyout as a rotten deal that undervalues the business.

On Friday, Southeastern Asset Management Inc. sent a letter to Dell's board of directors. Southeastern CEO O. Mason Hawkins threatened to lead a shareholder mutiny unless Dell came up with an alternative acquisition offer.

Hawkins vowed to wield Southeastern's 8.5 percent stake to thwart the deal currently on the table. Only Michael Dell, the computer company's founder and CEO, owns more stock with a roughly 14 percent stake.

Round Rock, Texas-based Dell said in its filing that it determined with independent advisers that the cash bid by a group led by Michael Dell was in the best interests of stockholders.

Dell also said the deal allows time for alternate bids do that shareholders will be able to see if there are superior options available.

Southeastern and other stockholders will be paid $13.65 per share to leave the company in control of Michael Dell, who founded the business in his University of Texas dorm room in 1984. Michael Dell is contributing about $4.5 billion in stock and cash to help pay for the deal. The rest of the money would be supplied by the investment firm Silver Lake, loans from Microsoft Corp. and a litany of banks. The loans will burden Dell with debts that could leave the company with less money to invest in innovation and acquisitions.

Dell said Monday that the deal "shifts the risks facing the business to the buyer group."

The proposed $24.4 billion purchase price is 80 percent below Dell's top market value of more than $150 billion at the peak of the dot-com boom 13 years ago. The $13.65 per share offer is 25 percent above where Dell's stock stood last month, before word of the buyout negotiations leaked out in the media. Dell's stock has plunged during the past year as PC sales have slumped amid the technological upheaval caused by the growing popularity of smartphones and tablet computers.

Dell shares were steady at $13.63 in premarket trading two hours before the opening bell.

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