

Dell inks \$960M Compellent acquisition deal

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Dell Inc. reached an agreement to acquire for \$960 million Minnesota-based data management company **Compellent Technologies Inc.**

Round Rock-based Dell (Nasdaq: DELL) will pay \$27.75 per share for a total equity value of about \$960 million, and aggregate purchase price of about \$820 million, net of Compellent's (NYSE: CML) cash. The deal is expected to close in early 2011, company officials said.

Compellent will become part of Dell's storage division, which includes PowerVault, EqualLogic and Dell/EMC. Dell also plans to keep Compellent's existing operations in Eden Prairie, Minn., and will invest in engineering, support, operations and sales capability to grow that business, officials said.

The deal comes four days after [officials said the two companies were in "advanced discussions"](#) for Dell to buy all of Compellent's outstanding common stock.

Compellent develops storage solutions that automate the movement and management of data at a granular level, officials said. Such a deal would also fall in line with a string of data management acquisitions Dell has been making.

In July, Dell bought two California-based companies developing products to manage data centers: [software maker Scalent Systems Inc.](#) and hardware and [software maker Ocarina Networks Inc.](#)

Ocarina Networks was Dell's fourth data center acquisition this year. In February, [it acquired California-based Kace Networks Inc.](#), a systems management appliance developer. [It also bought the assets of Israeli storage company Exanet Ltd.](#)

Ocarina was incorporated into Dell's storage technology business unit, which includes EqualLogic, a New Hampshire-based company that Dell acquired in 2007 for \$1.4 billion. EqualLogic has quintupled its business since being acquired. Such businesses generate higher profit margins than personal computers.

Compellent, which was founded in 2002, employs about 390 workers. Last year, the company reached profitability for the first time when it posted \$4.8 million in earnings on revenue of \$125.2 million. It reported a \$416,000 loss in 2008 and a \$7.8 million loss in 2007.

As of Dec. 31, 2009, Compellent's Storage Center product was used by 1,812 enterprises in a variety of industries. The company considers Dell to be one of its competitors, according to a filing with the **U.S. Securities and Exchange Commission**.

Dell, the No. 2 computer maker in the world, employs about 14,000 workers in Central Texas. The company posted a \$1.43 billion profit on \$52.9 billion in revenue in fiscal 2010 versus a \$2.47 billion profit on \$61.1 billion in revenue during fiscal 2009.

Dell is making a turnaround this year, largely based on its network management and services division. Last month, the company posted record third-quarter earnings with an income of \$822 million on \$15.39 billion in revenue compared with an income of \$337 million on \$12.89 billion in revenue during the same period last year.

A focus on storage and network management is Dell's latest strategy to increase profit margins, but it hasn't been without difficulties.

In September, the [company lost a bidding battle with rival Hewlett-Packard Co.](#) (NYSE: HPQ), the No. 1 computer maker, to acquire **3Par** Inc., a California-based data storage company. More than two weeks after Dell initially bid to buy 3Par (NYSE: PAR) for \$1.15 billion, or \$18 per share, HP won the duel when it offered \$2.4 billion, or \$33 per share, for 3Par.

Last week, officials at Washington, D.C.-based law firm **Finkelstein Thompson** LLP, said they were [investigating the fairness of Dell's](#) \$27.50-per-share acquisition price.

"The investigation is focused on the potential unfairness of the deal price to Compellent shareholders, the process by which the board of directors has been considering the transaction, and potential conflicts of interests among Compellent board members," they said.

Dell spokesman Jess Blackburn declined to comment on the investigation.

Courtesy of JB Goodwin