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<div data-bbox="464 577 888 613" data-label="Text"> <p>Updated 9/02/10, 11:00AM HIT</p> </div> <div data-bbox="373 644 974 682" data-label="Text"> <p><i>Analysis of HP-Dell Bidding War for 3Par</i></p> </div> <div data-bbox="245 718 1110 774" data-label="Section-Header"> <h1>HP: "Winner" of Game of Chicken</h1> </div> <div data-bbox="263 814 1088 850" data-label="Text"> <p><i>Headless = Reckless? It Was All About Three's in the End</i></p> </div> <div data-bbox="141 888 1213 1054" data-label="Text"> <p>HAIKU, Maui, Sep 2 – Here we go again... history repeating itself. Different backdrops and characters. Similar scenarios and lead actor: HP. Same finale? (outcome). Time will tell. More often than not, winners of a game of chicken end up losers in the long run.</p> </div> <div data-bbox="141 1089 829 1341" data-label="Text"> <p>Just ask Carly Fiorina, former HP CEO, now a Republican senatorial candidate in California. We are reminded of her two HP acquisition attempts, both in September. One failed, the other was "successful," at least initially (see HP & Compaq: Two Losers Don't Make a Winner, Sep 4, 2001).</p> </div> <div data-bbox="141 1346 1187 1425" data-label="Text"> <p>Later, the Compaq merger was one of the reasons that helped topple Fiorina three-and-a-half years later (see Carly's Fickle Fans, Feb 2005).</p> </div> <div data-bbox="141 1461 1192 1541" data-label="Text"> <p>Meanwhile, Fiorina's failed acquisition was actually a winner. For HP shareholders. It saved HP from a huge embarrassment.</p> </div> <div data-bbox="141 1579 1192 1829" data-label="Text"> <p>Ten years ago, the company launched an \$18-\$20 billion bid for Price Waterhouse Coopers Consulting (PwCC). After Fiorina got cold feet and the deal eventually fizzled, PwCC tried to take itself public (see What's in a Name? PwC Consulting to Become Monday!, June 2002). A few months later, IBM acquired it for \$3.5 billion (see IBM-PwCC Tie the Knot, Oct 2002). The original deal's "failure" saved HP shareholders upward of \$16 billion.</p> </div> <div data-bbox="141 1866 1167 1902" data-label="Text"> <p>See what we mean... how sometimes a loser can be a winner? And how a winner of a</p> </div>	<div data-bbox="1209 577 1482 688" data-label="Text"> <p>Big Blue Rains Honey on Wall Street - Analysis of IBM 2Q10 business results</p> </div> <div data-bbox="1209 718 1482 833" data-label="Text"> <p>As Good As It Gets Still Not Good Enough - IBM 1Q10 results analysis</p> </div> <div data-bbox="1209 861 1482 972" data-label="Text"> <p>Between Rock and Hard Place - Analysis of PC users' current choices</p> </div> <div data-bbox="1209 1003 1471 1087" data-label="Text"> <p>Steady, As She Goes - Update to 5-yr forecast for IBM</p> </div> <div data-bbox="1209 1119 1479 1232" data-label="Text"> <p>HP, Capgemini Send Mixed Signals - Analysis of latest quarterly business results</p> </div> <div data-bbox="1209 1264 1482 1348" data-label="Text"> <p>IBM Delivers... - Analysis of IBM's fourth quarter business results</p> </div> <div data-bbox="1209 1379 1482 1493" data-label="Text"> <p>Big Blue Poised for Growth Again - "State of the Union"-type analysis of IBM performance</p> </div> <div data-bbox="1209 1524 1466 1635" data-label="Text"> <p>Rally of Hope over Fact Continues - Analysis of Top IT Cos 2009 performances</p> </div> <div data-bbox="1209 1667 1471 1808" data-label="Text"> <p>Broken Windows, Broken Promises - "State of the Union"-type analysis of current PC/Windows quality</p> </div> <div data-bbox="1209 1837 1463 1923" data-label="Text"> <p>A Shrinking Giant - Analysis of HP's fourth fiscal quarter business</p> </div>

game of chicken can end up a loser in the long run? That's how we feel about Dell and HP today. Evidently, we are not alone. The stock market also gave thumbs-up to Dell shares after the company announced it was pulling out of the bidding war (see the chart). HP shares flat-lined.



HP's "victory" in a quest for 3Par, a small storage company nobody's heard of before the HP-Dell bidding war broke out a few days ago, came earlier this morning, when HP raised its bid by \$3 per share to \$33 per share. That would put the total price at between \$2.1 billion and \$2.4 billion, depending on which valuation you prefer. You can see on the chart (right) how the market reacted to both news: Dell - up, HP - flat.

It Was All About Three's in the End

When a "lame duck" Board of a headless company starts to throw around billions of shareholders money with the same ease and carelessness with which the same board tossed tens of millions of dollars to buy its disgraced and ousted CEO's silence (Mark Hurd - [Do As I Say Not As I Do](#), Aug 7), it may be time for the shareholders to turn to levity. For, the alternative is crying in one's soup.

Of course, HP "won" the bidding war for 3Cap. Just look at the numbers. It was all about three's... numerologically speaking.



Let's start with the name of the company and its logo (above). Everybody could see that three (number 3) would be par for that acquisition. Let's analyze this morning's Reuters report:

NEW YORK (Reuters) - Hewlett-Packard Co (NYSE:HPQ - [News](#)) won the bidding war to buy data storage company 3PAR Inc (NYSE:PAR - [News](#)) for \$2.4 billion, as rival Dell Inc (NasdaqGS:DELL - [News](#)) bowed out on Thursday.

HP raised its cash offer by \$3 to \$33 per share, beating Dell's \$32-a-share offer and ending an escalation of bids that many analysts said had gone too far.

3PAR shares rose 77 cents, or 2.4 percent, to \$32.85. They had mostly traded around \$10 this year, until Dell announced its initial \$18 per share bid in mid-August.

The deal values 3PAR at over eight times sales, and many analysts said that was too high for a company that has barely ever made a profit since it was founded in 1999. Multiples above five are considered lofty in technology deals.

results

[IBM Stock Takes a Beating](#) (Analysis of IBM's third quarter business results)

[Obama's "Don Quixote" Swings and Misses](#) (Analysis of DoJ's latest antitrust investigation of IBM)

[Triple Trouble Hits Armonk](#) (Analysis of insider trading charges against a senior IBM executive)

[A Rally of Hope over Fact](#) - Analysis of Top 18 IT companies' performances

[Tempest in a Tea Pot](#) (Analysis of latest IT services industry M&A's)

[Less Than Meets the Eye](#) - Analysis of HP's 3QFY09 results

[Big Blue Blows Lid Off Forecasts](#) - Analysis of IBM's 2Q09 results

[Apple, Google Lead Comeback](#) - Analysis of Top IT Cos' stock & business performances

[Revenues, Earnings Drop](#) - Analysis of Accenture's 3QFY09 business results

[IBM Wins the "Gold"](#) - Analysis of IT Services Octathlon 2009 results

[Suddenly, All Lines Point South](#) - Analysis of HP's 2Q09 business results

[Back on Growth Track](#) - Analysis of IBM Global Services 2008 results

[Sometimes Less Is More and Down Is Up](#) - Analysis of IBM's 1Q

[snip]

[By Ritsuko Ando]

Speaking numerology...

- Final HP price increase for 3Par was \$3 per share
- The par for the deal was \$33, which is 6 numerologically, or two 3's
- Value of the deal was \$2.1 to \$2.4 billion (both are 3's numerologically)
- 3Par shares rose 2.4%, which is again two 3's numerologically
- Initial Dell bid was \$18 per share, which is 9 or three 3's numerologically
- The bidding process took 21 days, which is 3 numerologically.
- The penalty HP has to pay to Dell for breaking the original merger deal is \$72 million, which is a 9 or three 3's numerologically.
- HP seems to be infatuated with 3Something companies. Last year, it acquired 3Com, for example (see [Some HP Partners Upbeat, Others Wary About 3Com Acquisition, 11/11/09](#)). 3Com, 3Par... is 3Out next? [3 strikes and you're out]

And so on, and so forth... fun with numbers, huh? Or is there more to it than just fun?

Headless = Reckless?

Back to the world of reason and investments, what to you think: Is 3Par worth today more than three times that it was three weeks ago? Common sense would suggest - no.



Looking at the above chart, we would have to conclude that Dell deserves kudos for poker-like tactics. It caused its biggest competitor to shoot itself in the foot. And it made money of of HP in the process. Dell said it is entitled to a \$72 million payment from 3PAR for breaking their merger agreement.

business results

[IBM's Holistic Approach](#)

- Treating businesses like living organisms - secret of success

[IBM Tries to Pull Dow, HP Up](#) - Big Blue stock up sharply after CFO

remarks at investor conf

[Hurd's First Stumble](#) -

HP's 1Q09 revenues, earnings disappoint Wall Street

[Two Thumbs Up for Big Blue](#) - Analysis of IBM

4Q08 business results

[Big Blue: All Heart](#) - IBM

creating new jobs in American Heartland

[When You Catch a Tiger by the Tail...](#) - An

editorial about greed & success

[Squeezing the](#)

[Consumer Dry](#) (Greed fueled both bankers & oilmen's try to squeeze blood out of stone - consumer)

[The Year of Living](#)

[Dangerously](#) - Analysis of global investment trends

When the HP Board acted irresponsibly a month ago during the Mark Hurd ouster, we said that maybe they should all resign collectively:

Perhaps it is time for all HP Board members to acknowledge their lapses in judgment and resign collectively. For, they have failed to protect the HP shareholders' best interests. Which is their fiduciary duty one and the only *raison d'etre* (reason for being).

(An excerpt from [Do As I Say Not As I Do](#), Aug 7)

Instead, the same Board has gone on to make an even greater transgression against its shareholders. How many more shots in the foot will it take before Wall Street sees that this lame duck "walks like a duck, quacks like a duck, therefore, must be a (lame) duck?"

(Of course, Wall Street has self-serving reasons for not seeing that. Investor banking fees at \$33 per share are much higher than at \$18 per share).

Happy Labor Day!

Happy bargain hunting!

Bob Djurdjevic

P.S. Check out this excerpt, actually opening paragraphs, from our Sep 2001 report:

HP & Compaq: Two Losers Don't Make a Winner

PHOENIX, Sep. 4, 2001 - "Two wrongs don't make a right," goes an old saw. "Two losers don't make a winner," would be an analogous headline describing today's \$25 billion-Hewlett-Packard acquisition of Compaq.

If in doubt (re. the "two losers" term), just check the HP and Compaq stock charts. Both look like downhill ski slopes. HP stock dropped from \$60-something to \$20-something in the last 12 months. Compaq's shares plummeted from about \$33 to \$12 in the same time frame. And that's before the "ski jump" that we can expect after today.

[snip]
2001]

[an excerpt from Annex Bulletin, Sep 4

For two follow-up media stories on this IT industry "megadeal," check out the Wall Street Journal, "[HP's Fiorina Takes on a Hefty Job](#)", and the New York Times, "[Wall St. Finds Fault With Computer Merger](#)" - both Sep. 5, 2001 stories.

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