

HP Enterprise plans \$8.5bn spinoff, merger

SAN FRANCISCO: US technology group Hewlett Packard Enterprise said it plans to spin off and merge its corporate services business in a deal valued at \$8.5bn (7.6bn euros).



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The split-off unit is to be merged with Computer Sciences Corp. to create a global corporate technology services giant with expected annual revenues of \$26bn, Hewlett Packard Enterprise (HPE) said in a statement Tuesday. HPE chief executive Meg Whitman described the deal as the "right next step".

"Enterprise Services customers will benefit from a stronger, more versatile services business, better able to innovate and adapt," she said.

The two companies aim to complete the deal by 31 March next year, HPE said, predicting eventual cost savings of \$1.5bn a year. The transaction is worth \$8.5bn to HPE shareholders, who would end up owning both HPE shares and about half of the new company, it said. News of the plan sent HPE shares surging nearly 10% and CSC stock soaring more than 23% in electronic trading after the close of the New York Stock Exchange.

The core HPE business left over after the spin-off would bring in revenues of \$33bn a year, the company predicted, focusing on its faster-growing business of technology infrastructure including servers, storage, networking, and cloud technology.

In a separate statement, CSC said the merger, which is subject to agreement by regulators and shareholders, would create one of the world's largest IT services companies with more than 5,000 clients in 70 countries. CSC boss Mike Lawrie is to be chief executive of the new group.

HPE, based in Palo Alto, California, was itself the product of the November 2015 split-up of computing giant Hewlett-Packard. The group divided in two: its enterprise unit, HPE, and the PC-printer business HP Inc. that became a household name but faced increasingly fierce competition.

Source: AFP

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