Analysts Cautious About Dell-Perot Deal

NEW YORK (AP) — Analysts are keeping a cautious eye on Dell Inc.'s planned $3.9 billion acquisition of Perot Systems Corp., a deal aimed at moving the company beyond personal computers and into technology services.

Credit Suisse analyst Bill Shope cut his rating on the company to "Neutral" from "Outperform" in a note to investors Tuesday, a day after the deal was announced. He said Dell is still likely to benefit as companies enter the next round of upgrades to personal computers, but integrating Perot poses a number of risks.

Dell, based in Round Rock, Texas, agreed to pay $30 per share for Perot, a 68 percent premium over the stock's closing price Friday. It hopes to make the company the core of a new global services business, putting Dell in broader competition with rivals Hewlett-Packard Co. and IBM Corp.

"Perot's 23,000 employees represent a formidable integration challenge for Dell, and we are concerned with Dell's limited acquisition track record," Shope said.

He also voiced concern that such a challenge could distract from Dell's broader restructuring.

"In particular, we believe Dell's key challenge will be to prevent its operating expenses from ballooning as revenues recover in 2010," Shope said. "We fear that the additional burden of integrating a large services asset will add risks here."

Jayson Noland, of Robert W. Baird, agreed. "We generally support the strategic rationale," he said, "though the deal appears expensive and includes a more challenging integration than (Dell) has faced previously." Noland kept his "Neutral" rating on shares.

Dell's stock slipped 31 cents, or 2 percent, to $15.70 in morning trading.

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