Case Study: EMC

Key Takeaways

- In response to Dell's recently proposed acquisition of EMC at $33.15 per share, Elliott Management's senior portfolio manager Jesse Cohn released a statement saying that the "landmark transaction will create a powerhouse with leading franchises across enterprise IT" and that Elliott "strongly supports" the deal and has "enjoyed a productive and collaborative dialogue with Joe Tucci and EMC's Board and management."
- In an interview with Bloomberg, Cohn said, "EMC's board and management really delivered for shareholders." (Bloomberg, 10/12/15) This, in no small part due to Elliott Management's investment and advisory services.

The Facts

- 7/21/2014: It was announced that Elliott invested over $1 billion in acquiring a 2% stake in the company, making it EMC's fifth-largest shareholder. At the time, EMC had an equity value of $55 billion.
- 10/8/2014: Elliott Management outlined its recommendations in a letter to EMC's board of directors. In explaining its rationale, Elliott argued that EMC's unorthodox arrangement of holdings was inhibiting its stock price, core company value, and creating complications among the separate companies under its purview. A week prior to Elliott's letter, Hewlett-Packard Co. and eBay Inc. announced plans to split up their companies and simplify their holdings.
- At the time, EMC had what was known as a "federation" structure, in which VMWare, a computer-server software company; Pivotal, a software-development company; RSA, a network-security company; and EMC II, a storage company, were all run as independent companies. Elliott suggested two strategies as part of EMC's "right course forward": 1) Spinning off VMWare, a publicly traded company and distributing its shares to current EMC shareholders. 2) Exploring merger and acquisition opportunities with companies able to acquire or integrate assets within EMC's portfolio. With a market value of $41 billion, VMWare comprised 75 percent of EMC's market capitalization and EMC held an 80 percent stake in VMWare. In preparing for this course of action, Elliott surveyed over 580 EMC and VMWare customers and consulted with experts ranging from engineers to senior executives so as to have a holistic understanding of the company's strengths and challenges.
- In response to Elliott Management's letter, EMC released a statement explaining that the board of directors welcomed an open dialogue with EMC shareholders and that it had met with Elliott's representatives several times and was seriously listening to its ideas.
- 1/12/2015: EMC reached a compromise with Elliott, in which EMC would appoint two new directors to its board, thus expanding it to 13. In a subsequent press release, EMC elaborated that Elliott Management worked collaboratively with EMC to identify and review candidates, and that, in turn, Elliott agreed to certain limited standstill and voting provisions through September 2015, including voting in favor of the company's proposed slate of directors at EMC's 2015 shareholder meeting.
- 10/7/2015: The Wall Street Journal reported that Dell Inc. and the private-equity firm Silver Lake were in "advanced talks" to buy EMC. Five days later, Dell announced that it would acquire EMC in a $67 billion transaction. While the deal included a provision giving EMC up to 60 days to seek a better offer, Elliott Management quickly signaled its approval.
- A notable provision of Dell's acquisition of EMC was that VMWare would remain an independent, publicly traded company, in line with Elliott's objectives upon first investing. Completion of Dell's acquisition of EMC is expected by October 2016.

Crucial Metrics

- 7/21/2014: Shares in EMC opened at $28.20 per share.
- 10/12/2015: Shares in EMC opened at $28.75 per share.
- According to its most recent 13F filing, Elliott Management holds 42 million shares in EMC. Elliott owns 2.15 percent of EMC, valued at $1.119 billion, and EMC comprises 11.8 percent of Elliott's portfolio, which is its largest position.