

HP, EDS acquisition talks in progress

- By [William Welsh](#)
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HP and EDS Corp. issued statements late Monday afternoon confirming that they are in advanced discussions regarding a possible business combination of the two companies.

In similar statements, the two companies declined to comment further on the details of the transaction until they had come to a final agreement. As for EDS, it said it was issuing the statement in response to market rumors.

Those rumors gained momentum when the Wall Street Journal reported on its Web site earlier in the afternoon that HP was looking at purchasing Plano, Texas-based EDS for between \$12 billion to \$13 billion.

The transaction would make the combined companies much more competitive with IBM Corp., which is regarded as a giant in the government information technology outsourcing market, said Bob Kipps, managing director at investment banking firm KippsDeSanto and Co.

The proposed deal would give HP "an enormous outsourcing offering that they don't have right now," he said.

IT outsourcing companies in general have been trading lower than usual on the stock market, Kipps noted, adding their valuation is not what it was six months ago.

The desire to expand its outsourcing capabilities is apparently not a new one for HP. The Palo Alto, Calif., technology company was rumored to be involved in a potential deal to purchase all or part of Computer Sciences Corp. in 2006 but didn't close the deal, Kipps said. What's more, they also were close to buying PWC Consulting as far back as 2000, but IBM snapped up PWC instead.

HP had annual revenue of \$104.2 billion in 2007, while EDS had annual sales of \$22.1 billion last year. EDS ranks No. 10 on Washington Technology's 2008 Top 100 list of the largest federal contractors.

About the Author

William Welsh is deputy editor of Washington Technology.