

Phoenix deflects Ramius' \$116M bid

by David Shabelman

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Phoenix Technologies Ltd. has parried an offer from New York hedge fund **Ramius Capital Group LLC** to buy the computer software maker for \$116 million.

In a letter sent to Ramius subsidiary Admiral Advisors LLC late Tuesday, Jan. 16, Phoenix Technologies did not outright reject the deal, but it made clear that it would continue with the strategic plan it implemented in November and is not interested in negotiating with the investment firm.

Through Admiral, Ramius said Tuesday it would offer \$5.25 a share for the 86.3% stake in Phoenix Technologies it does not already own, a 13.4% premium to the company's Jan. 12 closing stock price of \$4.63. Ramius in July offered \$5.05 a share for the Milpitas, Calif., software maker, but that offer was rejected.

Woodson Hobbs, president and CEO of Phoenix Technologies, said in an interview Wednesday that Ramius may have timed its offer to draw attention to the hedge fund's campaign to have two candidates elected to the company's board of directors. He denied accusations by Ramius that the company has not acted in good faith in its negotiations with the firm.

"We've done everything they've asked us to do except accept their offer," Hobbs said. "They're completely informed beyond most investors about what we're doing. We just don't think they've put up an offer that's reasonable."

Hobbs, who was named chief executive in September, said the company has finished reviewing its strategic options, a process that began after Ramius offered to buy the company in July. Phoenix Technologies is now focusing on executing its business plan, he said.

"Management put a plan in front of the board in November and compared it to offers [to acquire the company] in December that the board rejected," Hobbs said. "We're done, and we're moving on."

Phoenix Technologies in fiscal 2006 reported a net loss of \$44 million on sales of \$60.5 million, compared with net income of \$300,000 on revenue of \$99.5 million for the year-ago period.

Seeking to boost its performance, Phoenix Technologies restructured its business last year and cut costs by 40%. The company said it will continue to focus on selling its core computer system software.

The letter from Phoenix Technologies indicates that it told Ramius several times that the software vendor's board has "confidence in the company's potential to yield significantly more value to stockholders" than the hedge fund's \$5.25 share offer on Tuesday and a \$5.30 per share offer it said Ramius made verbally last week.

Phoenix Technologies makes software that loads a computer's operating system when it is turned on. The company has suffered recently due in part to the delay in releasing Redmond, Wash.-based **Microsoft Corp.**'s new Vista operating system, although it expects to break even by the end of its fiscal 2007 as Vista sales increase.

Matt Ragas, editor of ValueRaider.com, a newsletter that tracks activist investors, said Phoenix Technologies would have to more seriously consider Ramius' bid if the fund raises its offer. He estimated the value of Phoenix Technologies stock at \$7 per share if its turnaround succeeds.

"The company is saying the price is not high enough, they have a credible strategy, and they can create more value staying alone than settling right now for a sale," Ragas said.

Representatives for Ramius did not return calls seeking comment.