

ANNEX BULLETIN

Annex Bulletin 2008-12

May 12, 2008

A partially OPEN CLIENT edition

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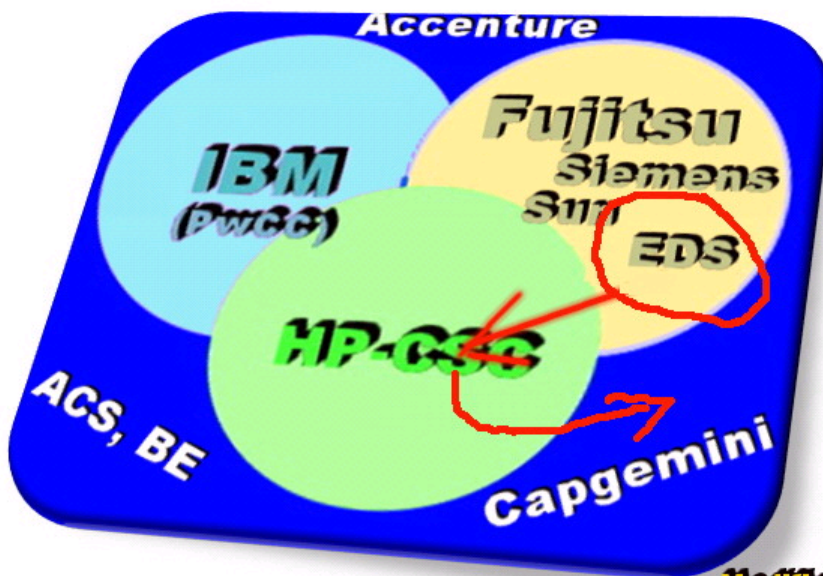
Updated 5/12/08, 9:00PM PDT

Four Years Ago We Asked HP CEO Why Not Buy EDS? Now Its New CEO Is Reportedly Contemplating Just That

Better Late Than Never

HP's Takeover of EDS Would Be a Win-Win Deal for Both

BELGRADE, Serbia, May 12 – I am currently traveling from Belgrade to Rome, so this will have to be of necessity a brief comment about a breaking news of HP's rumored takeover of EDS. Here are some off the cuff thoughts about it:



A 2005 Annex Research chart

Modified May 12, 2008

As you can see from the above "Tripolar World of IT Services" chart, I have been talking about consolidations like that since 2004 (the chart was actually done for some client workshops in 2005). In fact, in June 2004 at the HP meeting in San Jose, I asked the then HP CEO Carly Fiorina why she would not want to buy EDS, given the complementary nature of their businesses (see "[Delivering Value Horizontally](#)," June 2004).

At the time, she said HP wasn't interested. I thought that was shortsighted. And here's why:

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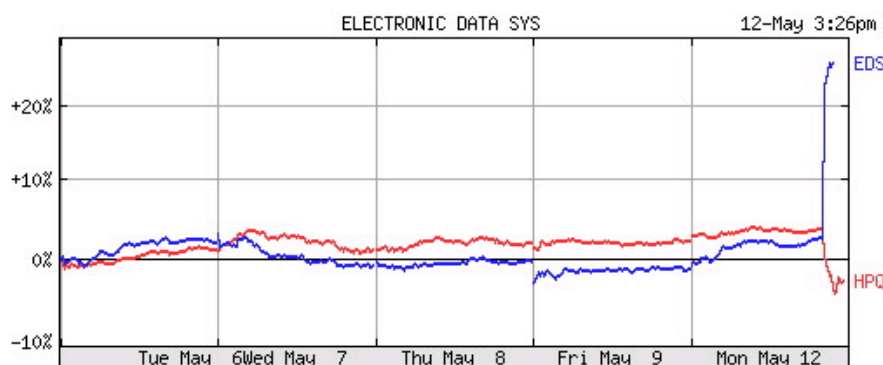
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"...everything has its price... including the cans of worms. They can be de-wormed or written-off for the right price. So a contrarian argument is that acquiring a traditional outsourcer like EDS would give HP a global delivery channel, and legitimize its claim that it is an alternative to IBM, which has been HP's stated goal." (an excerpt from the above Annex Bulletin, June 2004).

Well, if HP wasn't interested, we thought Fujitsu should be, for similar reasons (see our Annex Bulletins from Jan 2005). And then when rumors of a possible HP acquisition of CSC surfaced in 2005, we did that Tripolar World chart.

Now we just need to move out of the HP sphere and move in EDS instead, as it should have been in the first place.



EDS share up, HP's down on takeover rumors

Thought the stock market's initial reaction was interesting - EDS sharply up, HP down. Actually, both should be up, as far as I am concerned. EDS will finally get strong managements, and HP will get the reach and range in the services area that it has been lacking. It will be a win-win for both companies.

So those are my initial comments. If you need more, feel free to call my cell phone +1-602-703-2111. It worked everywhere in Europe, including in the Montenegro mountains, so I suspect you should not have trouble reaching me in Rome, either. :-). Time zone difference from New York is +6 hours. Just FYI.

As for my media friends, feel free to use any of the above comments in your reports. I should be in New York by tomorrow night (May 14), so if you need anything more, please let me know and I'll get back to you.

Happy bargain hunting!

Bob Djurdjevic

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