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Exclusive: Francisco Partners, Elliott near Dell software deal - sources

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(Reuters) - Buyout firm Francisco Partners and the private equity arm of activist hedge fund Elliott Management Corp are in advanced talks to acquire Dell Inc's software division for more than \$2 billion, three people familiar with the matter said.

Dell logos are seen at its headquarters in Cyberjaya, outside Kuala Lumpur in this September 4, 2013 file photo. REUTERS/Bazuki Muhammad/Files

Divesting the software assets will help Dell refocus its technology portfolio and bolster its balance sheet after it agreed in October to buy data storage company EMC Corp EMC.N for \$67 billion. EMC owns a controlling stake in VMware Inc (VMW.N), a cloud-based virtualization software company.

Dell is seeking to sell almost all of its software assets, including Quest Software, which helps with information technology management, as well as SonicWall, an e-mail encryption and data security provider, the people said.

Boomi, a smaller asset focusing on cloud-based software integration, will be retained by Dell, one of the people added.

An agreement between Dell and the consortium of Francisco Partners and Elliott could be reached as early as this week, the people said, cautioning that the negotiations could still end unsuccessfully.

The sources asked not to be identified because the negotiations are confidential. Dell declined to comment, while Francisco Partners and Elliott did not immediately respond to requests for comment.

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A sale of Dell's software division would free it from some of its least profitable assets and cap the program of divestitures that the Round Rock, Texas-based computer maker embarked on following its deal with EMC. EMC shareholders are due to vote on the deal with Dell on July 19.

VMware Inc

133.05

VMW.N NEW YORK STOCK EXCHANGE

+0.64(+0.48%)

VMW.N

VMW.N9613.TSCWX.0

In March, Japan's NTT Data Corp (9613.T) agreed to buy Dell's information technology consulting division Perot Systems for over \$3 billion to expand in North America and bolster its services business.

Dell also took its cyber security unit SecureWorks Corp (SCWX.0) public in April, raising \$112 million in what was this year's first U.S. technology initial public offering.

While Elliott has sought to buy companies in the past as part of its shareholder activist campaigns, the Dell software deal would represent its first major private equity investment since it hired Isaac Kim, previously a principal at private equity firm Golden Gate Capital, last year to help expand its capacity in leveraged buyouts.

EMC was also a target for Elliott. In 2014, the hedge fund called on the company to spin off its stake in VMware or pursue other merger opportunities. Elliott reached a settlement with EMC last year and subsequently voiced support for the deal with Dell.

Francisco Partners focuses on private equity investments in the technology sector. It has raised about \$10 billion in capital and invested in more than 150 technology companies since it was launched more than 15 years ago.