

IBM to Sell Off x86 Server Unit?

Written by Marco Attard
25 April 2013

IBM plans to sell its x86 server business, The Wall Street Journal reports-- with Lenovo as one of the top acquisition candidates, at least according to unnamed sources.



CRN has a similar story, with an anonymous high-ranking industry executive as source. The news site says IBM product engineering (PE) lab employees are to become Lenovo employees from 1 June 2013.

The PE lab supports all IBM server lines, including System x, System i, System p and System z, and is located at Research Triangle Park just 5 miles away from Lenovo's N. American HQ in Morrisville, North Carolina.

Such a sale is potentially worth "billions" of dollars (\$5-6 billion according to CRN) and covers the IBM System x line (Intel- and AMD-based tower, rack and blade servers).

Why would IBM drop out of the x86 server business? Morgan Stanley estimates IBMx86 2012 revenues total \$4.9bn (out of overall server sales worth \$15.4bn). The company does not reveal actual server revenues, but the WSJ suggests the unit had a disappointing Q1 2013. Perhaps understandable, since while high in volume the low-end x86 server segment is the lowest in profit, analysts say.

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According to Gartner IBM is #3 in the low-end server market (after HP and Dell) with 15% 2012 market share, down from 16.4% in 2011.

Therefore such reports do not come as too much of a surprise. After all, IBM a history of aggressive business shifts-- and is no stranger to Lenovo, 2004 buyer of the IBM PC hardware business (for \$1.75bn). With a recently formed Enterprise Product Group (EPG), Lenovo has growing server needs. And one does tend to do business with those they know best...

The two companies refuse to comment on the news story-- but a Lenovo Hong Kong stock exchange filing admits the company is in "preliminary negotiations with a third party in connection with a potential acquisition." Curious and curiouser, you have to agree.

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