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Cisco Raises Tandberg Bid After Investors Oppose Earlier Offer

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By Diana ben-Aaron

Nov. 16 (Bloomberg) -- **Cisco Systems Inc.** raised its bid for **Tandberg ASA** to 19 billion kroner (\$3.4 billion), after the Norwegian company's shareholders said its offer for the second- largest maker of videoconferencing systems was too little.

Cisco boosted its offer by about 11 percent to 170 kroner a share after its earlier offer of 153.5 kroner a share garnered just 9.4 percent of Tandberg's shares. The San Jose, California- based company also said in a statement that it is extending the offer period to Dec. 1.

"The new offer represents the final price for this transaction," Cisco said in the statement. If the company doesn't get the necessary acceptance, it will walk away and look for other ways to grow in videoconferencing, it said.

Cisco's raised **offer** reflects the company's drive to expand in videoconferencing. Cisco wants a larger share of a "collaboration" market that's worth about \$34 billion according to Chief Executive Officer **John Chambers**.

Folketrygdfondet, Norway's domestic pension fund and Tandberg's largest shareholder with a 10.09 percent stake, said it would accept the new offer. Tandberg rose as much as 6.3 percent in Oslo to 167.5 kroner.

On Nov. 10, Cisco said its first offer had acceptance from investors holding 7.9 million shares and was in a position to acquire a total of 10.5 million shares, amounting to about 9.4 percent of the company.

Tandberg holders are "testing" Cisco to see if it will pay more, Cisco CEO Chambers said at a shareholders meeting on Nov. 13. "I believe we will find a way to get the deal done, but we don't do it at a price that's not good for our shareholders," he added.

'Telepresence'

Both Tandberg and Cisco make high-end "telepresence" rooms where participants interact with life-sized, high- definition images of their counterparts. The systems cost as much as \$300,000 and are sold as a substitute for executive travel. Tandberg also makes less-expensive systems that appeal to smaller companies.

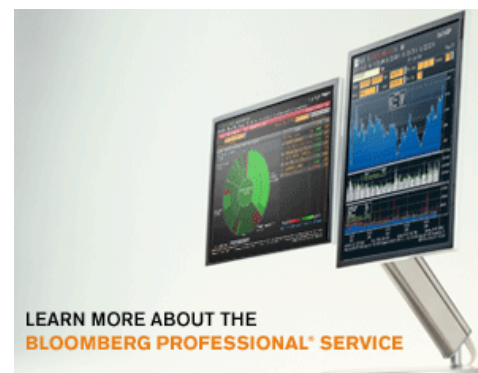
Tandberg reported third-quarter operating income of \$50 million on sales of \$234.7 million. **Rival Polycom Inc.**, for years the world's largest maker of videoconferencing equipment, reported operating income of \$23.40 million on sales of \$243 million in the quarter.

"Since the economic downturn started at the end of 2007, consensus estimates for Tandberg's 2009 earnings per share have fallen only 9 percent," investors **Peter Germonpre** of Panta Capital and **Dan Scott** of Scott & Associates wrote in a Nov. 6 letter criticizing the first offer. Rival Polycom's estimates fell 45 percent while Standard and Poor's equity estimates for the technology sector as a whole fell 30 percent, they said.

Polycom gets about a third of its revenue from voice conferencing systems such as speakerphones, while Tandberg only makes videoconferencing systems, Gartner's Morrison said. He expects the videoconferencing market, including services, to grow from \$3.8 billion in 2008 to \$8.6 billion by 2013.

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