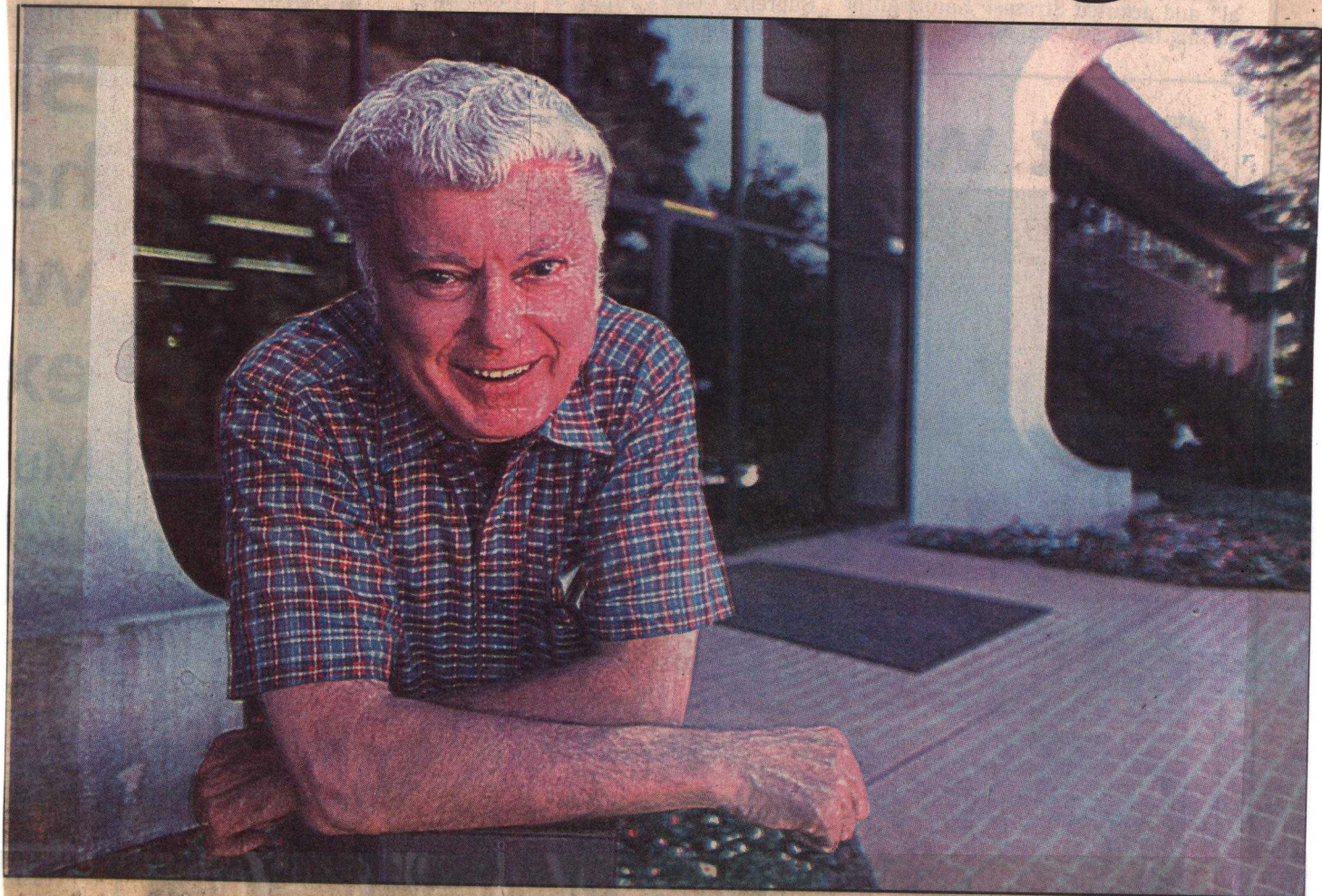


Seagate driving toward giant merger



Seagate CEO Al Shugart expects a \$1 billion deal 'in a matter of weeks.'

Bill Lovejoy/Sentinel

Deal would join chief competitors

By STEVE PEREZ

Sentinel staff writer

SCOTTS VALLEY — A billion-dollar merger is in the works here.

Seagate Technology Inc., the bustling Scotts Valley high-tech company, is in talks with a chief competitor, Conner Peripherals Inc. of San Jose, Seagate's president and CEO Al Shugart confirmed Wednesday.

"I can't give you an exact schedule," he said. "We're working on it right now. I would expect an agreement to be made in a matter of weeks, not months."

He declined to discuss specifics of the deal, such as what the merged company might be called or where its corporate headquarters would be located.

A Conner official said such talk would be "premature."

Seagate has 50,000 employees worldwide, 1,600 in Scotts Valley, while Conner has 10,000 workers.

Shugart said a merger with Conner, which makes disc drives, tape drives and software, is in line with Seagate's long-term growth goals.

The merged company would approach \$10 billion in annual revenues (see related story on Page B4). Seagate had \$3.5 billion in revenue last year, compared to \$2.4 billion for Conner.

While Quantum Corp. is reported as the No. 1 supplier of disk drives in terms of units shipped, Seagate is the world's largest in terms of dollar value of sales.

Conner has been considered a potential takeover target, with industry price cuts and high costs leading the company to post a loss in the 1993 fiscal year. IBM and Samsung were rumored as suitors.

Shugart said consolidation in the disk drive industry is the way for companies to compete in the global marketplace. "We're going to grow this sucker," Shugart said. "We want to grow our company. In the next 10 years, I think you'll see a lot of consolidation in the whole company, not just peripherals."

"We want to be a company that is quite large, financially strong, deep in technology and that has worldwide operational strength."

If completed, the merger would be worth \$1 billion, with Conner stockholders receiving less than half a share of Seagate stock (0.442) for every share of Conner stock.

Conner's stock rose \$2.12½ a share on the news, closing at \$19 Wednesday,

On the Business Page

- Merger would create the biggest independent maker of computer disk drives in the world with projected annual revenues in the \$7.5 billion range. **B4**
- SCO, Novell and Hewlett-Packard formally announced terms of their business partnerships. **B4**

while Seagate's fell \$2, closing at \$45.25.

Shares of Seagate stock have been steadily climbing since the spring, gaining more than 60 percent.

Last Friday, Conner stock closed at 14%. Bloomberg Business News reported that speculation of an acquisition fueled the short run-up in the price.

Shugart told Bloomberg that the surprise announcement was made because the New York Stock Exchange asked Conner about the "unusual" activity in its stock.

Seagate approached Conner about the merger, Shugart said.

The deal must clear a number of hurdles, including "due diligence" by both parties, the signing of a definitive agree-

ment and approval by both boards of directors.

In a joint statement, the companies also cautioned that it was possible the merger could fall through.

"There can be no assurance that the parties will enter a definitive agreement regarding any such business combination or that any such business combination will be consummated," the companies said in a joint statement.

Shugart called Conner's CEO, Finis Conner, a friend. Both live in Pebble Beach.

Conner, one of Seagate's co-founders, left to form his own company in 1986.

He and Shugart worked together at Memorex in the 1970s, and also at Shu-

gart Associates, a company Shugart operated before starting Seagate.

Conner did not immediately return a telephone call seeking comment.

Those who follow the disk-drive industry said they were surprised by the announcement.

Bloomberg described the rivalry between the founders of the two companies as "legendary." Outspoken chief executives of the companies have been known to take verbal potshots at each other in public gatherings, Bloomberg reported.

"It is a good story for people to make up that Finis and I hate each other, but it's just not true," Shugart protested to a Bloomberg reporter.

Shugart and his charges have been on an acquisition spree in the last 18 months, spending millions to buy eight software and assorted technology firms in an effort to become a diversified company, rather than one relying only on the manufacture of computer disk drives.

"Obviously if we didn't think it was the right thing to do, we wouldn't do it," Shugart said. "Seagate has shown we

Please see SEAGATE — BACK PAGE

Seagate deal

Continued from Page A1

are pretty experienced in acquiring companies and assimilating them into Seagate. This will be by far our biggest challenge."

"It's a great deal if it doesn't bog them down," said Jim Porter, an industry analyst with Disk Trends told Bloomberg Business News. "Seagate is running on a fast track, and if the development treadmill slows down, you will be in deep trouble next year."

Shugart said the deal should allow Seagate to expand its mar-

ket penetration around the world and strengthen the company financially.

"These are all things that I think are characteristics of what big companies are going to have to have to survive 10 years from now in the computer industry," he said. "I think that's just part of getting us to the point of where we're competing with all the big guys in the business."

Business has been booming for Seagate and other companies in the high-tech field, fueled by a number of trends that require speedy computers with as much

storage capacity as possible.

The trends include the release of Microsoft's Windows '95 operating system last month, faster computer chips like the Pentium, and the growth of online services and the global computer network known as the Internet.

Market researcher International Data Corp. estimates that shipments of PC drives will top 100 million in 1997 — 67 percent more than it predicted a year ago.

Sentinel wire services contributed to this report.