

Lenovo to Buy IBM's x86 Server Business

Written by Bob Snyder
23 January 2014

Lenovo will buy **IBM 's x86 server business** for \$2.3 billion under a deal that covers IBM's System x, BladeCenter and Flex System blade servers and switches, x86-based Flex integrated systems, NeXTScale and iDataPlex servers, and associated software, blade networking and even maintenance operations.

The purchase price is about US\$2.3 billion, approximately US\$2.3 billion to be paid in cash and the balance in Lenovo stock.



Just like when IBM sold its PC business to Lenovo, **the clever part of this deal may be the agreements that tie Lenovo into selling other IBM products**

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Lenovo and IBM also announced a strategic relationship which will include a global OEM and reseller agreement for sales of IBM's entry and midrange Storwize disk storage systems, tape storage systems, General Parallel File System software, SmartCloud Entry offering, and elements of IBM's system software portfolio, including Systems Director and Platform Computing solutions, the companies said.

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IBM says it will continue to develop its Windows and Linux software portfolio for the x86 platform.

IBM's Q4 financial results showed sales of its System x servers had declined 16% year-over-year, so their motivation to get out of hardware is clear. "This divestiture allows IBM to focus on system and software innovations that bring new kinds of value to strategic areas of our business, such as cognitive computing, Big Data and cloud," says Steve Mills, Senior Vice President and Group Executive, IBM Software and Systems, in the statement.

On the motivation for Lenovo to buy into more hardware, Yang Yuanqing, chairman and CEO, Lenovo *(shown in photo)* says, "This acquisition demonstrates our willingness to invest in businesses that can help fuel profitable growth and extend our PC Plus strategy. With the right strategy, great execution, continued innovation and a clear commitment to the x86 industry, we are confident that we can grow this business successfully for the long-term, just as we have done with our worldwide PC business."

That might be easier for Lenovo which controls much of a booming China market than for Western companies working in mature home markets and exporting to developing markets which favor home players (through politics as well as culture).

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