



Why Pivotal Software Stock Soared 57.3% in August

Description

What happened

Shares of **Pivotal Software** (NYSE: PVTI) in August, according to data from [S&P Global Market Intelligence](#), after the cloud-native platform company agreed to be acquired by **VMware** (NYSE: VMW) in a deal worth \$2.7 billion.

More specifically, VMware will purchase Pivotal for a “blended” price that — at the time of the acquisition announcement on Aug. 22, 2019 — was equivalent to \$11.71 per share, consisting of \$15 per share in cash for Pivotal Class A common stockholders, and the exchange of 0.55 shares of VMware’s Class B common stock for each share of Pivotal Class B stock already owned by VMware parent company **Dell Technologies** ([NYSE: DELL](#)). The latter exchange represents roughly 15% of Pivotal’s total shares outstanding.

So what

For perspective, Pivotal Software stock was down a whopping 49% year to date before [shares rallied](#) on news of the buyout — largely a consequence of a [steep post-earnings drop](#) in early June after Pivotal lowered its full-year outlook. To blame, according to Pivotal CEO Rob Mee at the time, was a combination of “sales execution and a complex technology landscape” that was lengthening the time of its sales cycles.

Of course, those pressures will be alleviated somewhat when Pivotal is operating as a subsidiary of VMware, rather than as its own publicly traded company.

“The time is ideal to join forces with VMware, an industry leader who shares our commitment to open source community contributions and our focus on adding developer value on top of Kubernetes,” Mee elaborated after the acquisition was announced. “VMware has a proven track record of helping organizations run and manage consistent infrastructure in support of mission critical applications, and our two companies have already built a strong foundation on our successful VMware PKS

collaboration.”

Now what

As it stands, the acquisition has already been approved by both companies’ boards of directors, but still requires the approvals of both regulators and a majority of Pivotal Software Class A shareholders. Assuming all goes as planned, VMware expects the acquisition to close in the second half of its fiscal year ending January 31, 2020.

With shares currently trading at only a slight discount to the \$15-per-share acquisition premium — and unless waiting longer to sell might result in more favorable long-term [capital gains tax treatment](#) on your profits — I think Pivotal investors might do well to take their money and put it to work in [another promising technology name](#).

CATEGORY

1. Investing
2. Tech Stocks

POST TAG

1. Syndicated

TICKERS GLOBAL

1. NYSE:DELL (Dell Technologies Inc.)
2. NYSE:VMW (VMware)

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