

# IBM to buy AT&T's Sterling unit for \$1.4B

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In this file photo made Jan. 11, 2010, a sign for IBM is shown in New York. IBM said Monday, May 24, 2010, it is buying AT&T's Sterling Commerce unit, which makes business software, for \$1.4 billion. (AP Photo/Mark Lennihan)

(AP) -- IBM Corp. said Monday that it is buying AT&T Inc.'s Sterling Commerce unit, which makes software that helps businesses buy and sell to each other, for \$1.4 billion.

The deal would be IBM Corp.'s largest acquisition since it bought business software maker Cognos in 2008.

Sterling runs "collaboration networks" where companies can interact with vendors. It has 18,000 clients worldwide, IBM and AT&T said. Customers include H.J. Heinz Co., Motorola Inc., Boise Cascade LLC and Boston Market Corp. The parties would not provide a figure for the unit's annual revenue.

AT&T Inc., then known as SBC Communications, paid \$3.9 billion for Sterling in 2000, near the peak of the Internet bubble. The price tag was driven by forecasts that all "business to business" commerce would soon be conducted through online marketplaces not unlike a stock exchange, with demand dictating prices more efficiently.

The unit, which is based in Dublin, Ohio, has little connection to AT&T's main telecommunications business and has maintained its own brand.

AT&T spokeswoman McCall Butler said AT&T's business has changed since 2000, and Sterling is "no longer core to the company's long-term strategic objectives."

Butler said with the help of IBM's purchase price, operating contributions and tax benefits, AT&T will have recouped most of its investment in Sterling. AT&T expects the deal to result in a one-time pretax gain of approximately \$750 million when it closes sometime in the second half of the year.

IBM said the deal complements its portfolio of business process integration and transaction software portfolio, which grew more than 20 percent in the first quarter of 2010.

IBM shares fell 2 cents to \$125.48 on Monday morning, while AT&T shares fell 43 cents to \$24.42.

IBM is based in Armonk, N.Y., while AT&T is based in Dallas.

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