

Kenexa Acquisition Announce Frequently Asked Questions

Purpose

The purpose of this document is to address particular questions and provide additional insight about IBM's agreement to acquire Kenexa. To view the full press release, go to:

<http://www.ibm.com/press/us/en/pressrelease/38635.wss>

Q. What are you announcing today?

On August 27, 2012, IBM announced that it has signed a definitive agreement to acquire Kenexa, a publicly held company headquartered in Wayne, Pennsylvania.

Kenexa is a leading provider of end-to-end, integrated talent management solutions and services that help customers optimize their most important asset – their workforce.

Kenexa's unique combination of software, content and services provides its clients with a one-stop provider for their portfolio of human capital requirements, with solutions including:

- Recruitment Technology
- Performance Management
- Learning
- Compensation Planning and Strategy
- Assessments
- Employee Surveys
- And more...

Q. When will this transaction be finalized?

This transaction will be finalized following Kenexa stockholder approval, regulatory reviews and completion of customary closing conditions. These will likely occur in the fourth quarter of 2012.

Q. Who is Kenexa? What do they do?

Founded in 1987, Kenexa is an industry leader, providing cloud-based, integrated talent management solutions that help customers identify the best individuals for every job and foster optimal work environments. Kenexa has studied human behavior and team dynamics in the workplace, and has developed software solutions, business processes, and expert consulting that helps organizations deliver positive business outcomes through human resources.

In short, Kenexa helps business leaders across multiple industries attract, attain and inspire their most valuable assets.

With operations in 21 countries, Kenexa has a large and diverse client base of approximately 8,900 customers globally, including over half of the Fortune 500.

Kenexa's unique combination of software, content and services provides its clients with a one-stop provider for their portfolio of human capital requirements, with solutions including:

Technology and content offerings:

- Recruitment Technology: Automates the full cycle of talent acquisition from sourcing to hiring to onboarding
- Performance Management: Automates performance and compensation management, career development and succession planning
- Learning: Comprehensive Learning Management System (LMS), Learning Content Management System (LCMS) and knowledge management solution supporting on-site, virtual, mobile and social learning

- Compensation Planning and Strategy: Enables customers to automate compensation surveys, build market rates, analyze pay practices and design compensation plans
- Assessments: Over 1,000 tests enabling organizations to select and retain top performers based on key areas that predict performance and potential
- Surveys: Automates employee surveys and customer satisfaction surveys that improve organizational performance

Services offerings:

- Recruitment Process Outsourcing (RPO): Global recruitment services that leverage technology to reach highly qualified candidates and deliver them real - time to recruiters
- Implementation Services
- Human Capital Management Consulting

Q. Why is Kenexa considered a leader? What awards or recognition have they received?

IBM values customer actions -- and customers have voted with their checkbook on Kenexa's end-to-end talent management solutions for global enterprises across a variety of industries, such that Kenexa has had rapid growth of 29% CAGR since 2004, with placements in over half of the Fortune 500.

Further, based on 2011 customer surveys, Kenexa was recognized for its global leadership in RPO by HRO Today, with such important metrics as "Quality of hire." [Click here to learn more.](#)

Kenexa was also recognized by TrainingIndustry.com as a Top 20 Leadership Company, based on criteria, such as strength of clients and the breadth of programs and audiences served. [Click here to learn more.](#)

Q. Why is IBM planning to acquire Kenexa?

Business leaders around the globe are looking to transform business processes to increase effectiveness by attracting and retaining talent, improving performance management and compensation, and cultivating future leaders. According to IBM's CEO survey, 71% of respondents cite human capital as the single biggest contributor to creating sustained economic value. The acquisition of Kenexa and the launch of the new IBM growth play—smarter workforce—will help further accelerate our clients' abilities to impact business results and build competitive advantage through workforce optimization.

With the acquisition of Kenexa, IBM is helping to redefine the work experience for all business functions -- from marketing to sales to development. The combination of IBM and Kenexa will allow IBM to help clients attract and develop the right skills to build the right teams, for the right projects, the first time.

When a smarter workforce is effectively enabled, it can fundamentally change the way an organization attracts, retains, and inspires people to get things done.

- Sales teams can be more agile; junior level reps learn from experts and start generating new business more quickly
- Customer service teams can predict and resolve problems before they become major issues
- Marketing can develop a deeper understanding of customer needs to create more powerful campaigns
- Product development teams can delight customers and lead the competition with crowdsourced innovation

IBM's smarter workforce initiative is focused on helping companies deliver business results that are tangible and measurable. In summary, a smarter workforce means:

- Getting the **right skills**, on the right project, the first time

- Connecting via **social tools** to learn faster & act with speed
- Integrating **people & process** for business transformation
- Acting on **data supported by analytics** to make the right decisions
- Exploiting new opportunities on a **global scale**
- Delivering **outcomes for clients** and is motivated to excel
- Leveraging social, mobile and analytics delivered via the **cloud**

IBM's [industry-leading](#) social software, HR services and business process outsourcing complement the world-class front-office process solutions delivered by Kenexa's 2,800 employees. With Kenexa, IBM will be able to offer strategic consulting, a social technology platform, and the delivery of local skills and services in multiple countries to help clients create a smarter workforce and lead in any market.

Q. How will Kenexa software fit within the IBM software portfolio?

The Kenexa portfolio will become part of the IBM Social Business portfolio. Following the close of the acquisition, the Kenexa team will become part of the Software Solutions Group, led by GM Alistair Rennie, and form a close operational alignment with the Global Process Services organization, led by Lori Steele.

Q. How will Kenexa fit within the IBM Global Process Services (GPS) portfolio?

This announcement is significant for GPS for a number of reasons. The acquisition will greatly enhance our multi-process Human Resource, Learning and Recruiting services capabilities. Kenexa's technology will create a foundation around which we can continue to build our services offerings while expanding our assets with industry-leading software-as-a-service (SaaS) applications in recruiting, learning, analytics, talent management, compensation and data collection. The inclusion of Kenexa into the IBM portfolio demonstrates our ongoing commitment to the HR marketplace while adding additional talent management delivery capability and localized expertise to our global footprint.

Q. How will this acquisition of Kenexa impact the IBM GPS Human Resources, Learning and Recruiting services business?

We will look to leverage the ongoing investments in the smarter workforce tools and technologies to bring about fundamental changes to how people work. IBM expects to leverage our recognized expertise in social networking, analytics, content management and consulting services to drive improved performance to customers in the marketplace.

Q. How will this acquisition of Kenexa impact the Recruitment Process Services of the respective organizations?

The Kenexa acquisition give IBM the ability to bring together complementary approaches to recruitment services and utilize the best practices and service delivery capabilities of the respective organizations that will drive the business to a higher level. The combination of Kenexa's quality of hire methodology and tools with IBM's delivery excellence efforts will enable us to deliver greater value to our clients. The combined global organization will be positioned to provide even better support to our clients throughout the changing market conditions with localized talent management expertise across the globe.

Q. How will Kenexa clients benefit?

Kenexa clients will benefit from the combined technologies and skills of both companies, including increased investment, global reach, industry expertise and support available from IBM, along with IBM's commitment to innovation in general. Our combined team will work together to facilitate a seamless transition in client service and support. IBM is best in class at integration and has a significant track record of 25 successful acquisitions over the past three years.

Consistent with IBM strategy, IBM will continue to support and enhance Kenexa's technologies and clients while allowing them to take advantage of the broader IBM portfolio, including the IBM Enterprise Social Platform, Business Analytics, Global Process Services and other enhanced service options from IBM Global Services and increased international support (people, product localization, etc.). The executive leadership of both IBM and Kenexa are committed to the long term success of this acquisition. It is anticipated that the Kenexa management team will remain part of the integrated leadership team to drive the broader Smarter Workforce agenda into the marketplace.

Q. What are the key benefits IBM customers will gain?

A smarter workforce approach helps organizations attract, connect, and inspire their employees and simplify their work experience. This is done through an integrated set of offerings that assist organizations attract and retain talent, expand skill bases, and help people optimize and redefine their work. This combination of enterprise grade social networking tools and analytics along with talent management processes and expertise help facilitate a more competitive workforce. In today's global and digital work environment, organizations require deployment flexibility (whether on premises, in the Cloud or outsourced) and seamless integration with their existing management tools. IBM's smarter workforce approach provides an industry-leading solution.

Q. How will the acquisition affect Kenexa Business Partners?

IBM intends to extend and grow with the skilled Business Partner community that has helped make Kenexa successful. As IBM works hard to deliver portfolio enhancements based on Kenexa technology, Kenexa Business Partners are encouraged to get started now. To find out more about establishing a deeper relationship with IBM, visit [IBM PartnerWorld](#).

Q. How will this affect IBM's Business Partners that are in the HR space?

For most Business Partners, this solution is expected to open new markets, buyers and opportunities. For some, the IBM solution may overlap with their offerings. IBM will continue to work with Business Partners on joint opportunities to provide clients with the best overall value to match their needs, and will lead with the IBM Smarter Workforce solutions in white space opportunities.

Q. How will this affect Kenexa client's current support and services contracts?

Until the acquisition closes, IBM and Kenexa remain separate companies; therefore Kenexa clients will see no changes at this time in the way they access Support and Professional Services (e.g., same support contact numbers, same team delivering support, etc.).

After the acquisition closes, the IBM and Kenexa Client Support and Professional Services teams and Kenexa's Business Partners will be completely focused on clients' ongoing success with the Kenexa products. Over time as any changes occur, information will be communicated to clients and partners with ample lead time to allow for planning and a smooth transition.

Q. How will the acquisition affect IBM's Smarter Planet vision?

Organizations everywhere are seeking new ways to innovate and create competitive advantage. Our smarter planet strategy is to help clients leverage the instrumented, interconnected, intelligent systems that are emerging across the world to transform their organizations and business processes. IBM's investments in social business, including Kenexa, help to bring people into this equation. By digitizing front office processes, organizations can effectively leverage information to improve the effectiveness of their workforce and improve business outcomes. This improvement will result in a workforce that:

- Gets the right skills, on the right project, the first time
- Connects via social tools to learn faster and act with speed
- Acts on insights driven by analytics to make the right decisions
- Delivers outcomes for clients and is motivated to excel

The combined capabilities of IBM and Kenexa will help clients address the pressing need to attract and retain the best and the brightest employees, expand their skill base, and enable their workforce to act on the insights that can be derived from the vast quantities of data generated on a smarter planet.

Q. What is IBM's Acquisition strategy?

IBM examines multiple factors when considering potential acquisitions; chief among those is delivering superior client and shareholder value. IBM looks for companies that complement and enhance the rest of the IBM portfolio to better provide an end-to-end solution for clients, while delivering shareholder value and return on investment consistent with the IBM financial model.

This acquisition further demonstrates IBM investment and leadership in social business.

Disclosure

Clients are responsible for ensuring their own compliance with various laws and regulations. It is the client's sole responsibility to obtain advice of competent legal counsel as to the identification and interpretation of any relevant laws and regulations that may affect the client's business and any actions the client may need to take to comply with such laws and regulations. IBM does not provide legal, accounting or auditing advice or represent or warrant that its services or products will ensure that the client is in compliance with any law or regulation.

Cautionary Statement Regarding Forward-Looking Statements

Certain statements in this communication regarding the proposed transaction between IBM and Kenexa, the expected timetable for completing the transaction, benefits and synergies of the transaction, future opportunities for the combined company and products and any other statements regarding IBM and Kenexa's future expectations, beliefs, goals or prospects constitute forward-looking statements made within the meaning of Section 21E of the Securities Exchange Act of 1934 and (collectively, forward-looking statements). Any statements that are not statements of historical fact (including statements containing the words "believes," "plans," "anticipates," "expects," "estimates" and similar expressions) should also be considered forward-looking statements. A number of important factors could cause actual results or events to differ materially from those indicated by such forward-looking statements, including the parties' ability to consummate the transaction; the conditions to the completion of the transaction, including the receipt of shareholder approval, court approval or the regulatory approvals required for the transaction may not be obtained on the terms expected or on the anticipated schedule; the parties' ability to meet expectations regarding the timing, completion and accounting and tax treatments of the transaction; the possibility that the parties may be unable to achieve expected synergies and operating efficiencies in the arrangement within the expected time-frames or at all and to successfully integrate Kenexa's operations into those of IBM; such integration may be more difficult, time-consuming or costly than expected; operating costs, customer loss and business disruption (including, without limitation, difficulties in maintaining relationships with employees, customers, clients or suppliers) may be greater than expected following the transaction; the retention of certain key employees of Kenexa may be difficult; IBM and Kenexa are subject to intense competition and increased competition is expected in the future; fluctuations in foreign currencies could result in transaction losses and increased expenses; the volatility of the international marketplace; and the other factors described in IBM's Annual Report on Form 10-K for the fiscal year ended December 31, 2010 and in its most recent quarterly report filed with the SEC, and

Kenexa's Annual Report on Form 10-K for the fiscal year ended February 28, 2011 and in its most recent quarterly report filed with the SEC. IBM and Kenexa assume no obligation to update the information in this communication, except as otherwise required by law. Readers are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date hereof.

Additional Information and Where to Find It

This communication may be deemed to be solicitation material in respect of the proposed acquisition of Kenexa by IBM. In connection with the proposed acquisition, Kenexa intends to file relevant materials with the SEC, including Kenexa's proxy statement in preliminary and definitive form. **SHAREHOLDERS OF Kenexa ARE URGED TO READ ALL RELEVANT DOCUMENTS FILED WITH THE SEC, INCLUDING Kenexa'S DEFINITIVE PROXY STATEMENT, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTION.** Investors and security holders will be able to obtain the documents free of charge at the SEC's web site, <http://www.sec.gov>. Documents will also be available for free from Kenexa by contacting Kenexa Investor Relations at (650) 645-7103 or investorrelations@Kenexa.com. Such documents are not currently available.

Participants in Solicitation

IBM and its directors and executive officers, and Kenexa and its directors and executive officers, may be deemed to be participants in the solicitation of proxies from the holders of Kenexa common shares in respect of the proposed transaction. Information about the directors and executive officers of IBM is set forth in the proxy statement for IBM's 2011 Annual Meeting of Stockholders, which was filed with the SEC on March 7, 2011. Information about the directors and executive officers of Kenexa is set forth in the proxy statement for Kenexa's 2011 Annual Meeting of Shareholders, which was filed with the SEC on June 24, 2011. Investors may obtain additional information regarding the interest of such participants by reading the definitive proxy statement regarding the acquisition when it becomes available.