

Announcing IBM's intent to acquire Sterling Commerce May 24, 2010

Frequently asked questions

1. Q. What are you announcing today?

A. IBM and AT&T today, May 24, 2010 announced that the two companies have entered into an agreement for IBM to acquire Sterling Commerce from AT&T. Sterling Commerce is an AT&T company headquartered in Dublin, OH with development, operations, marketing and sales offices around the world.

2. Q. What are the terms of the deal?

A. IBM plans to acquire the company in an all-cash transaction of approximately \$1.4B. The acquisition, subject to applicable regulatory clearances and other customary closing conditions, is expected to close later this year.

3. Q. Who is Sterling Commerce? What do they do?

A. Sterling Commerce is a software and services company that specializes in business to business integration, order management, logistics, and cross-channel selling and fulfillment solutions to help businesses connect, communicate and collaborate with their clients, partners and suppliers to increase revenues, reduce costs and streamline the way organizations do business.

For over 30 years, Sterling Commerce has enabled industry-leading companies to engage in productive collaboration with customers, partners and suppliers. With more than 18,000 clients worldwide, Sterling Commerce is a recognized leader in B2B integration and cross-channel solutions.

4. Q. What capabilities does Sterling Commerce provide?

A. **Sterling Commerce B2B Integration Solutions** provide seamless and secure integration of people, processes, and technology to enable flexible business process integration.

Sterling Commerce cross-channel selling and fulfillment solutions enhance the way companies do business by streamlining the commerce lifecycle to drive growth and increase efficiencies of cross-channel selling and fulfillment processes.

Sterling Commerce Selling and Fulfillment solutions are available both as "on premise" licensed software, as well as through SaaS (Software as a Service) and Managed Services delivery and contractual models.

Additionally, Sterling Commerce offers Professional Services designed to provide a superior customer experience including services for customer support, education, and implementation, as well as outsourced managed and hosting services.

5. Q. Why Sterling Commerce?

A: Through this planned acquisition, IBM will now be able to offer a differentiated approach to managing transactions across an enterprise's entire business network. The combined technologies and expertise of IBM and Sterling Commerce will enable the integration of key business processes through the entire cross-channel lifecycle – from marketing and selling to order management and fulfillment – while giving clients the flexibility to manage their network of business partners through public or private cloud computing environments. Together, IBM and Sterling Commerce will make supply chains and partner networks smarter and more efficient by enabling integration beyond the enterprise while improving the customer experience through a seamless cross-channel sales and fulfillment capability. Through this planned acquisition, IBM will be able to offer a differentiated approach to managing transactions across an enterprise's entire business network. That approach includes giving clients the option of conducting these transactions in the cloud as Sterling Commerce solutions are offered either as on-premise licensed software or via a cloud computing model that employs SaaS (Software as a Service).

6. Q. What is creating the need in the market for the capabilities Sterling Commerce provides? Why is IBM doing this now?

A: Organizations are looking for ways to work more efficiently and profitably within their communities of business partners, clients and suppliers. They require agility to keep pace with today's dynamic and challenging business environment, both to improve relationships with clients and to capitalize on growth opportunities. IBM continues to leverage both organic development and acquisitions to deliver increased business agility to clients.

Frequently, business agility requires the integration and collaboration across a company's extended value chain as well as its internal operations. The ability to integrate across internal systems and the value chain creates a rich set of information that organizations can use to identify actionable insights into operations and create an agile infrastructure on which to act on those insights.

Sterling Commerce has a broad customer base and proven products to extend integration across business networks. They offer strong capabilities in B2B integration, B2B focused cross-channel selling and order management and fulfillment capabilities.

The combination of IBM's SOA solutions with Sterling Commerce B2B integration accelerates IBM's ability to extend SOA and BPM capabilities beyond organizational boundaries to clients, partners and suppliers. Likewise, IBM will allow Sterling Commerce clients to extend enterprise business systems, applications and processes to their partner and supplier networks for greater efficiency, increased visibility and reduced costs.

Also, Sterling Commerce in combination with IBM ILOG supply chain management solutions provides an end-to-end supply chain management and execution platform across disparate systems, suppliers and partners.

Sterling Commerce Software as a Service (SaaS) and Managed Service capabilities expand IBM's deliver models into the cloud space, providing clients with additional deployment options.

7. Q. How will Sterling Commerce technology be integrated into the IBM software portfolio?

- A. IBM's intent is to integrate offerings from Sterling Commerce into IBM's Software Group as part of the AIM (Application Integration Middleware) division. Until the acquisition is closed, IBM and Sterling Commerce will continue to operate as separate entities. Once the acquisition is complete, Sterling Commerce and IBM will work together to integrate their teams across all functional areas. IBM will leverage the expertise Sterling Commerce offers in B2B Integration and cross-channel solutions, and help expand sales coverage of existing Sterling Commerce products and value propositions.

8. Q. How will Sterling Commerce be positioned with the existing IBM portfolio?

- A. Sterling Commerce clients and partners will be able to enhance their existing capabilities with the full breadth and depth of IBM's portfolio, including WebSphere Message Broker, WebSphere Enterprise Service Bus, WebSphere Service Registry and Repository, WebSphere ILOG, WebSphere Process Server, WebSphere Lombardi Edition and WebSphere Business Events to name a few.

Conversely, IBM clients and partners will be able to extend integration and business processes management solutions beyond organizational boundaries to clients, partners and suppliers with Sterling Commerce B2B integration capabilities. Additionally, IBM clients can augment the middleware solutions provided by IBM with sophisticated order management, CPQ (configure, price and quote), and logistics capabilities from Sterling Commerce.

9. Q. Did IBM divest of EDI capabilities a few years ago?

- A. Yes, in 2004 IBM divested its EDI VAN services business to Francisco Partners, which at the time was the majority shareholder of Global eXchange Services (GXS).

10. Q. Why is IBM buying a business similar to what it sold six years ago? Is there any difference between the EDI VAN IBM sold in 2004 and Sterling Commerce?

- A. In the six years since IBM divested its EDI VAN services, our clients' requirements have changed. At the same time, the company has made substantial investments in Service Oriented Architecture and Business Process Management, making EDI VAN fit our portfolio in ways that it did not in 2004. Also, it's important to remember that while it's valuable to us, the B2B network is just one piece of what we are buying. IBM is acquiring Sterling Commerce because of the broad range of capabilities it will bring to clients, including B2B integration and cross-channel solutions. Technology provided by Sterling Commerce helps organizations create more intelligent and dynamic business networks and allows them to improve their customers' experience through a seamless cross-channel sales and fulfillment capability. Its technologies advance IBM's ability to enable the creation of dynamic business networks.

11. Q. Will Sterling Commerce capabilities be leveraged by Global Business Services?

- A. Sterling Commerce clients will be able to take advantage of IBM Global Business Services as an industry leader in strategy and change consulting, business process management, and SOA Services. The Sterling Commerce B2B Integration and cross-channel selling and fulfillment solutions will be used by the GBS Industry and Service Line practitioners for both IBM's enterprise clients and General Business practice. Such projects can then be evolved and scaled through our Application Integration Services (AIS) and Global Delivery arm.

12. Q. How will Sterling Commerce enhance IBM's current Industry Framework strategy?

A. We anticipate that IBM's existing Industry Frameworks focused on the Retail, Industrial/Manufacturing, and Banking and Telecommunications industries will be enhanced to exploit the new, industry-specific capability that Sterling Commerce brings to bear. For example, the Retail Industry Framework's Supply Chain and Stores/Channels domains will benefit from new capabilities in the areas of customer order management, supply chain visibility, and B2B offerings. We expect similar enhancements to IBM's Industry Frameworks serving the banking, industrial/manufacturing, and telecommunications industries. Formal announcement of specific enhancements to Industry Frameworks will occur after the transaction closes, and as part of the overall integration of the Sterling Commerce operations into IBM.

13. Q. What are IBM's plans with the Sterling Commerce technology?

A. IBM plans to protect customer investments in both Sterling Commerce and IBM products, and IBM intends to provide continued world-class service and support plans for offerings from Sterling Commerce. Once the acquisition closes, detailed product and support plans for Sterling Commerce offerings will be developed.

14. Q. How will IBM business partners benefit?

A. IBM continues to leverage both organic development and acquisitions to address new and adjacent markets. These investments create exciting opportunities for IBM's business partners to serve new and existing clients with the most complete set of solutions in the market. After the acquisition has closed, IBM Business Partners will have access to B2B integration and other advanced B2B capabilities from Sterling Commerce. This will give them additional opportunities to provide B2B integration and cross-channel solutions. As their customer needs for SOA, B2B integration and cross-channel solutions expand, they can complement those offerings with products from the IBM portfolio. There will also be new Proof of Concept (PoC) offerings, with plans to have a preconfigured installation at the IBM Innovation Centers (IIC) worldwide, which all IBM Business Partners can access. The PoC capabilities and use of the IIC will help accelerate business partners' sales cycles, and provide deeper customer relationships in selling Sterling Commerce.

15. Q. How will Sterling Commerce business partners benefit?

A. Following the close of the acquisition, Sterling Commerce business partners can benefit as follows:

- Partners will gain access to expand their offerings and services to existing clients and to attract new clients with support from IBM around the world.
- Partners achieve faster time-to-value by integrating with IBM's open standards based, multiplatform offerings.
- Partners receive access to skilled resources through IBM Global Services Delivery Team.
- Partners will expand their global reach by leveraging IBM's international presence in 170 countries.
- Partners can leverage IBM's world class enablement through IBM PartnerWorld, SOA Partner Programs, and WebSphere's world wide business partner team.

16. Q. When will IBM business partners be able to sell Sterling Commerce offerings?

A. Until the acquisition closes, IBM and Sterling Commerce will continue to operate as independent and separate entities. Once the acquisition is complete, the integration team will announce training, education, and enablement plans for IBM business partners including processes for selling the offerings.

Please send an email to Ryan Musch at ryan.musch@us.ibm.com if you would like to be added to a distribution list for future IBM Sterling Commerce business partner announcements and communications.

17. Q. What is the strategy for the existing Sterling Commerce business partner ecosystem?

A. Sterling Commerce has a rich and vibrant partner ecosystem. IBM's intent is to continue these valuable relationships and will align operations and processes as part of the integration of the Sterling Commerce business following close. Upon successful closure, IBM's broad portfolio will create immediate opportunity for Sterling Commerce partners to serve adjacent opportunities with a consistent and comprehensive set of middleware offerings.

Once the acquisition is complete, the integration team will announce training, education, and enablement plans for Sterling Commerce business partners including processes for selling the offerings.

Please send an email to Ryan Musch at ryan.musch@us.ibm.com if you would like to be added to a distribution list for future IBM Sterling Commerce business partner announcements and communications.