

The New York Times
December 3, 1990

A.T.&T. IS OFFERING \$6 BILLION TO BUY A COMPUTER MAKER

By **EBEN SHAPIRO**

Trying once again to make itself a powerful force in the computer business, the American Telephone and Telegraph Company offered yesterday to buy the NCR Corporation for \$6 billion.

The offer amounts to \$90 a share, 60 percent more than the \$56.75 NCR stock traded for on Friday.

A.T.& T. has had numerous failures in attempting to become a giant in the computer industry, and some industry analysts estimate that it has lost more than \$2 billion in these efforts. It has long been interested in the computer business of NCR, the nation's fifth-largest computer company, and talk of discussions between the companies has arisen periodically on Wall Street in the last several years. To Persuade Stockholders

The considerable premium that the telecommunications giant is offering for NCR is a sign that it hopes to persuade stockholders to accept the offer after failing to sway NCR's board.

In a statement issued late yesterday, NCR's chairman and chief executive, Charles E. Exley Jr., reacted negatively, saying the A.T.& T. offer of \$90 a share was only a 25 percent premium over the highest price NCR stock had reached in the last six months.

He said, "The NCR board will, in due course, review this most recent A.T.& T. letter and advise its shareholders accordingly."

Dennis Block, a lawyer for NCR, said last night, "A marriage of the companies makes no business sense."

The telecommunications company disclosed yesterday that NCR's directors had rejected an \$85-a-share offer from A.T.& T. on Friday, terming the bid "grossly inadequate." The offer was initially made Nov. 15.

NCR, based in Dayton, Ohio, was founded in 1884 as the National Cash Register Company. NCR has been successful in selling a computer known as a "server," which stores many documents and other information and delivers them to people using other computers linked on a network of cables or telephone lines. Choice of Software System

NCR is also attractive because it is committed to developing computers that use the Unix operating system software that was developed at A.T.& T.'s Bell Laboratories.

Unix is difficult-to-master but powerful software that enables computers to perform numerous tasks -- like calculating numbers, drawing graphics and editing a report -- simulatenously. Unix has been growing in popularity because it does not require a specific brand of hardware to run it and thus holds the promise of tying together business systems whose parts come from many different companies.

Its computers aside, NCR has done very well with its automatic teller machines, scanning devices used at supermarket checkout counters, and sophisticated cash registers.

A.T.& T., which said it proposed to buy NCR in a stock swap, offering \$90 of its stock for each NCR share, is seeking to portray its offer as friendly, even though it is proceeding despite the apparent opposition of NCR's board.

"If we cannot negotiate a merger price that is acceptable to you, then your stockholders should be free to make the decision," A.T.& T.'s chairman, Robert E. Allen, said in a letter sent yesterday to Mr. Exley.

"It is now becoming a hostile situation," said one analyst who spoke only on condition that he not be identified.

Such a strategy is highly unusual for A.T.& T., which generally uses its dominant position in the telephone industry and the reputation of its research staff to find willing partners.

Michel Guite, a analyst for Salomon Brothers Inc., said the public offer demonstrated A.T.& T.'s newfound aggressiveness. He said Robert M. Kavner, who directs the company's data systems area, was the driving force behind the bid for NCR.

Potentially hostile deals have been few and far between on Wall Street in recent months, and word of the offer spread quickly through the investment community last night. "It is really big news," Mr. Guite said.

Some analysts said the two companies would fit together well from a cultural point of view. "They both have sort of a Midwestern ethos," said the analyst. The telecommunications company has often drawn to its top ranks executives from telephone companies in the Midwest. Discussion Since Nov. 15

A.T.& T. said it had been pressing NCR about its bid since Nov. 15. It said that the companies had exchanged letters and that each company's chairman had appeared before the other's board.

An adviser to NCR who insisted on anonymity said last night that Mr. Exley, NCR's chairman, addressed A.T.& T.'s directors on Wednesday for 35 minutes.

The adviser said Mr. Exley cited several mergers in the computer industry that have proved disappointing, including the merger of Sperry and Burroughs, which created Unisys.

Undaunted, Mr. Allen of A.T.& T. appeared before the NCR board on Thursday and made a spirited appeal for the deal, describing the merger as a "strategic imperative" for his company, the NCR adviser said.

A.T.& T. said its \$90-a-share offer would remain on the table through Wednesday. In his statement, Mr. Exley said that NCR would not be intimidated by the deadline.

An adviser to A.T.& T. said no decision had been made as to how to proceed if NCR rejects the latest offer. He said a tender offer, in which A.T.& T. offered to buy the stock directly from NCR shareholders, was one option under consideration.

A.T.& T. stock closed Friday at \$32.50, unchanged, on the New York Stock Exchange. Previous Ventures

Among A.T.& T.'s unsuccessful ventures in computers was one that began in 1983 with Ing. C. Olivetti & Company of Italy. Olivetti made a line of personal computers for the American company that critics found to unremarkable in price and performance.

Several analysts said A.T.& T. had contemplated leaving the computer business in recent years but ultimately decided that the potential benefits of being able to provide integrated communication and computing systems to customers were too great to abandon.

One area in computing in which the company has been successful is as a maker of microprocessors. Supplying chips for NCR computers would help A.T.& T. expand those operations.

Mr. Guite of Salomon said the offer for NCR seemed fair. If NCR is able to demonstrate that it is worth more, he said, there is a good chance that its suitor will raise its bid.

In 1989, NCR's profit was \$412 million on sales of \$5.95 billion. It has 56,000 employees and does business in 120 countries, receiving almost 60 percent of its revenue from outside the United States.