

The New York Times
December 3, 1991

NCR to Buy Data Company for \$520 Million

By **ANTHONY RAMIREZ**

The NCR Corporation, which was bought recently by A.T. & T., said yesterday that it had agreed to acquire a California computer company that specializes in parallel processing, an arcane computer skill that is especially useful in manipulating huge amounts of data. NCR is exchanging \$520 million worth of A.T. & T. stock for the company, the Teradata Corporation.

Teradata made its name in managing data, and its largest customer is the American Telephone and Telegraph Company, which last year spent nearly \$100 million on its services. It is one of the largest and fastest-growing companies in the field.

A.T. & T. now uses Teradata systems to keep track of long-distance customers' addresses, telephone numbers and billing charges, as well as for market research. Teradata also handles some of A.T. & T.'s financial chores, as well as "network provisioning," which governs how the telephone network is repaired and maintained.

Based in El Segundo, Calif., Teradata designs computer systems that use parallel processing to divide up big tasks into many smaller ones so they can be solved simultaneously, and therefore more quickly. For an analogy, say someone is asked to look through a 52-card deck and find a royal flush. Thirteen people with four cards each can do it in less time.

But breaking up a problem into these smaller tasks is difficult, so the parallel-processing market has remained tiny compared with the multibillion-dollar market for huge mainframes made by companies like I.B.M. Most of Teradata's customers come from the 200 largest corporations in the country. For example, American Airlines, the nation's largest airline, uses a Teradata system to administer its frequent-flier program.

Teradata's systems, like the company's top-of-the-line DBC 1012, can cost up to \$20 million. Like the computer system, the company's name comes from the exponential term meaning 10 to the 12th power, or one trillion. A terabyte, meaning a trillion bytes of data, is equivalent to three million copies of "The Great Gatsby." Analysts Not Surprized

Analysts did not find the deal surprising. "Ever since A.T. & T. considered buying NCR, it was only a matter of time before it bought Teradata," said Wayne T. Kernochan, a senior analyst at the Yankee Group, a computer and telecommunications industry research firm in Boston. "NCR and A.T. & T. had to steal a march on the high end, to make some technical leap, like parallel processing."

But Mr. Kernochan speculated that A.T. & T. could someday apply parallel processing to telephone switching systems, like the huge modernization program involving

Signaling System No. 7, which could make "picturephones" and other complicated digital telecommunications possible. "If the Teradata deal works out, boy is it worth it," he said.

A one-time restructuring charge and disappointing sales in the September quarter of the fiscal year ended June 30 forced Teradata to consolidate some of its operations and lay off 200 workers, or 12 percent of its work force. Teradata improved in the subsequent three quarters, although not enough to post a profit. Loss of \$2.4 Million

In the year ended June 30, Teradata lost \$2.4 million on annual revenue of \$257.8 million. It has about 1,600 employees worldwide, compared with the 54,000 employees of NCR, based in Dayton, Ohio, which is the nation's fifth-largest computer company.

In March 1990, NCR bought about 1.4 million newly issued Teradata shares, or about 9.4 percent of outstanding shares, for about \$26.27 a share.

Teradata is scheduled to be merged next year into NCR, subject to approval by Teradata holders.

Under the agreement announced yesterday, A.T.&T. would exchange \$30.25 worth of A.T.& T. common stock for each Teradata share. Teradata's share price jumped \$5.125 yesterday, to \$28.875. With 2.7 million shares traded, it was the second-most-active over-the-counter stock. On the New York Stock Exchange, A.T.& T. slipped 12.5 cents, to \$36.25. The Ratio of Exchange

The ratio of exchange would be based on the average closing price of A.T.& T. common stock during the 20 consecutive trading days that end five trading days before Teradata's shareholders meet to vote on the deal. That meeting has not been set, but it may be scheduled for late January.

In a statement, Gilbert P. Williamson, NCR's chairman, said the Teradata acquisition was a logical extension of NCR's earlier purchase and joint-venture agreement because Teradata would now have access to more money for marketing and distribution, as well as general-purpose computing and communications technologies.

A.T.& T. bought NCR in a \$7.5 billion deal earlier this year to take advantage of the growing symbiosis between computers and telephones.