

IBM buys Kenexa for \$1.3B in latest software deal

Published on Electronic Component News (<http://www.ecnmag.com>)

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The Associated Press

IBM is buying human resources management company Kenexa Corp. for about \$1.3 billion, adding to its stable of cloud-based software.

The Monday announcement sent Kenexa's stock to the highest point since it began trading in mid-2005.

Kenexa's HR software is designed to help companies recruit workers and manage employees with the help of networking tools similar to the ones that connect people on Facebook and LinkedIn. The Wayne, Pa., company says it has more than 8,900 customers and employs about 2,800 workers. IBM said that it plans to continue to support Kenexa's clients while also giving them access to IBM's offerings.

The acquisition helps make the Armonk, N.Y., company more competitive with database maker Oracle Corp. and German business software maker SAP AG, said Rick Sherlund of Nomura Equity Research. Oracle and SAP have both recently been buying "cloud computing" companies. Such technology allows businesses to run software remotely rather than installing software in-house.

IBM is hoping to draw upon Kenexa's products and expertise to develop more social networking tools for corporate customers trying to foster better communication among their employees. Several other software makers also have recently snapped up services that make social networking services for companies. Microsoft Corp. is paying \$1.2 billion for Yammer and Salesforce.com Inc. bought Buddy Media for \$689 million. Oracle has bought at least three social software services so far this year.

Through the first half of this year, IBM had completed eight other acquisitions at a total cost of \$2.2 billion.

IBM Corp. said that it will pay \$46 per Kenexa share, a 42 percent premium to the company's Friday closing price of \$32.39.

Kenexa has been struggling to make money for years. Since 2007, the company has posted losses totaling about \$150 million. The company lost more than \$4 million on revenue of \$164 million during the first half of the year.

Kenexa stock jumped \$13.40, or 41.4 percent, to close at \$45.79 Monday. Earlier in the session the stock reached \$45.93, its highest point since Kenexa started trading in June 2005. Shares had gained 21 percent this year.

IBM stock slipped \$2.08 to \$195.69.

Kenexa's board unanimously approved the deal, which is expected to close in the

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fourth quarter. It still needs approval from the company's shareholders and regulators.

Source URL (retrieved on 11/23/2014 - 6:08am):

<http://www.ecnmag.com/news/2012/08/ibm-buys-kenexa-13b-latest-software-deal>