

SPSS Acquisition FAQ

Purpose

The purpose of this document is to address particular questions and provide additional insight about IBM's acquisition of SPSS. To view the full press release, go to: <http://www.ibm.com/press>.

Q. What are you announcing today?

IBM has announced that the acquisition of SPSS has closed, with shareholder and regulatory approvals completed, and SPSS is now an IBM company. SPSS is a recognized industry leader in predictive analytics and statistics, with a global customer and partner base across all major industries.

Q. What are the financial details of this acquisition?

This is a cash transaction at a price of approximately \$1.2 billion USD or \$50 per share.

Q. Who is SPSS? What do they do?

SPSS is a market leader in predictive analytics and statistics, with 250,000 customers that span 100 countries, 50 U.S. states, all major foreign governments, and virtually all top colleges and universities. SPSS provides a comprehensive predictive analytics portfolio that includes data collection, text and data mining, advanced statistical analysis and predictive solutions. These offerings enable customers to predict future events and proactively act upon that insight to drive better business outcomes. With unique deployment technologies, these capabilities can be easily deployed into existing business processes for better, faster decision making.

Q. Why did IBM acquire SPSS?

Today's business environment is fundamentally different -- new economics, globalization, massive interconnections and increased risk, coupled with an explosion of information. Organizations need to do more than just sense and respond to current business conditions; they must be able to predict those conditions and then act. Predictive analytics is the critical enabling technology needed to achieve these efficiencies because it detects and analyzes patterns in historical and current transaction data as well as attitudinal survey data to help organizations predict potential future outcomes and determine the best actions to take.

Q. What are Smarter Planet and New Intelligence, and how do they relate to SPSS?

Smarter Planet is IBM's point of view on how interconnected technologies are changing the way the world literally works, as it becomes more instrumented, interconnected and intelligent. It is about enabling businesses, organizations, and governments to take the steps needed not only to survive but thrive in the current economic climate and ensure future success through optimization, while also making our world a better place to live. To really make a difference for our clients and for the world, systems must be sustainable and to be sustainable, they must be smarter.

New Intelligence is the vision for the role information plays in building a smarter planet: how businesses can become smarter by taking advantage of the wealth of information that is now available to make more intelligent decisions.

Organizations must improve their ability to turn the information at their disposal — especially information generated in real time — into insight to optimize business performance. Fortunately, businesses are now able to discover and realize value from a new kind of intelligence, as they cross a new threshold in their ability to manage pervasive information, analyze it to gain insight, predict risks and opportunities with more confidence, and drive faster, smarter decisions and actions.

The acquisition of SPSS is transformational for IBM, enabling us to provide the predictive 'brains' for intelligent systems through predictive analytics and mathematical models. Together we will provide solutions that enable a smarter planet.

Q. What is predictive analytics software (PASW) and what value does it provide?

Predictive analytics software captures and analyzes data about people's attributes, attitudes and behaviors to gain a full understanding of anticipated future behaviors, applying these insights into business processes to improve outcomes.

The key is to help our clients create greater value from data assets in all areas for unique, predictive insights in real-time that will enable them to predict future and make smarter decisions for improved business outcomes. This technology enables clients to create and apply data mining models to uncover hidden patterns in data, visualize data patterns to gain instant insight and quickly apply that insight to predict the outcomes of interactions even before they occur, while capturing essential information about people's attitudes and opinions. It provides insights into complex questions with the ability to predict potential future outcomes.

The ability to predict future trends, spot shifts in consumer patterns or behaviors even before they have happened can give businesses a competitive advantage in today's economy. Predictive analytics is being used by businesses to identify these trends and patterns to improve decision making that impact future business outcomes.

Questions SPSS helps organizations answer:

- How can a financial institution target its products and marketing strategies to reach interested, credit-qualified customers, building efficiency into the application process and increasing profitability?
- How can a credit provider tailor car financing options that meet customers' budget needs, increase the efficiency of credit risk analysis, reduce loan defaults and retain desirable customers?
- Which factors (on-time arrivals, food and beverage menus, in-flight service, baggage handling, price, number of destinations, frequency of departures) are likely to drive customers to choose a particular airline carrier?

Q. What is Business Analytics and Optimization (BAO)?

Bringing together sophisticated analytics from IBM Research with market-leading software platforms, deep industry insight and business consulting expertise, IBM's Business Analytics and Optimization (BAO) service line helps clients gain greater precision and predictability from every business decision they make, through the following core competency areas:

- **BAO Strategy:** Helps clients realize their business objectives faster, with less risk and at a lower cost. Predictive analytics help improve how information is recognized and should be acted upon across the enterprise - with actions spanning policy, analytics, business process, organization, applications and data.
- **Business Intelligence and Performance Management:** Empowers decision making and improved business performance through the timely access, analysis and reporting of actionable, accurate, and personalized information. Predictive analytics will help further improve insight and ultimately decision making and performance across the enterprise.
- **Advanced Analytics and Optimization:** Enhances organizational performance by applying advanced mathematical modeling, deep computing, simulation, predictive analytics and optimization techniques to improve operational efficiency and address specific business process areas.

- **Enterprise Information Management:** Helps clients improve business processes and total business performance and make intelligent decisions through data integration between disparate systems and increased data consistency throughout the enterprise.
- **Enterprise Content Management:** Contains the services, technologies and processes used to capture, manage, store, preserve and deliver unstructured content. Predictive analytics across unstructured content enrich the predictive insights and decision-making across the enterprise.

Q. IBM claims to already have BAO offerings. Is there product overlap with SPSS?

For decades, IBM has been continually enhancing the business intelligence capabilities it provides to customers. Today, the company is moving to help customers solve new business challenges and meet the demand for more sophisticated, real-time uses of information. IBM has long provided the underlying information infrastructure that supports business intelligence and performance management solutions. This includes databases and data warehouses to manage data, information integration and master data management to establish accurate, trusted information, and various analytic capabilities for extracting knowledge from unstructured information, mining data to identify patterns and trends, and multi-dimensional analysis.

The recent acquisition of Cognos delivers a broad range of BI and performance management capabilities that enable decision makers to gain valuable insights for better, faster decision making. These capabilities include reporting, analysis, scorecarding, dashboarding and planning.

Meanwhile, SPSS has developed predictive analytics technology, which enables applications and business users to discover forward-looking actionable information and improve the underlying business processes. SPSS offerings have very little overlap with IBM products and provide the greatest value of any predictive analytic solutions in the market. As a result, SPSS will extend IBM's ability to deliver significant added value to our customers, partners and shareholders.

Additionally, there are a vast array of use cases for text analytics, and IBM and SPSS both offer advanced text analytics solutions. Combined, IBM and SPSS will share technology and integrate offerings in order to support the broadest range of text mining and analytics use cases in the market. IBM plans to continue to support the UIMA standard.

Q. How will SPSS be integrated into IBM?

SPSS will become part of the Business Analytics and Process Optimization division within the Software Group business unit, lead by Ambuj Goyal, General Manager, IBM Business Analytics and Process Optimization.

Our plans are to drive continued innovation across SPSS's predictive analytics portfolio, and to leverage its strengths across many aspects of the broader IBM portfolio, adding:

- New capabilities and expertise for IBM's new Business Analytics and Optimization service line
- New capabilities for inclusion into departmental and industry solutions and applications
- Value to IBM's new Smart Analytics System (hardware and optimized software)
- Value on top of content analytics, enriching the kinds of predictive insights we will be able to deliver from unstructured content
- Tighter integration with the InfoSphere portfolio, enhancing master data management insight, and providing in-line analytics within bulk data processing and real-time data streams
- The full range of predictive analytic capabilities to the IBM Cognos business intelligence portfolio, making it the most comprehensive available

Q. How will IBM's ability to meet customers' needs change as a result of this acquisition?

The addition of SPSS to IBM's Information on Demand portfolio delivers a market leading, comprehensive predictive analytics portfolio that will help enable customers to predict future events and proactively act upon that insight to drive better business outcomes. With unique technology and methodology, these capabilities can be easily deployed into existing business processes for better, faster decision making and smarter business outcomes.

Q. How will SPSS customers benefit?

SPSS customers will immediately benefit from the combined technologies and skills of both companies, giving them an open standards-based information infrastructure with analytics expertise and global resources to help optimize their businesses and maximize enterprise performance. They will also benefit from the increased investment, global reach, industry expertise and support available from IBM. IBM remains committed to open standards and will continue to support and enhance use of SPSS products with heterogeneous information systems.

Q. What does this mean for SPSS business partners?

Opportunity. SPSS has an extensive distributor network for its products. IBM plans to continue the relationships with the skilled SPSS distributors that have enabled the success and broad adoption of the SPSS portfolio around the world. It will also offer these Business Partners the ability to join the broader IBM partner community and programs with access to the vast portfolio of IBM offerings, should they wish to take advantage of these programs.

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