

Technology

IBM Paid \$1.3 Billion to Acquire Cleversafe in Hybrid-Cloud Push

By [Jing Cao](#)

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IBM paid more than \$1.3 billion in cash last year to acquire closely held Cleversafe Inc., adding data-storage software that works for both public and private cloud-computing systems.

The deal, which IBM announced in October without disclosing terms, was the company's largest in 2015, according to a filing Tuesday. International Business Machines Corp. attributed \$1 billion of the total to goodwill, which represents the difference between the purchase price and the fair value of net assets -- an indication of how much eventual upside the buyer sees in the target company. Completed technology and client relationships were valued at \$364 million and \$23 million, respectively, while Cleversafe's physical assets had a total value of \$86 million.

Cloud computing is one of the newer businesses that IBM Chief Executive Officer Ginni Rometty is banking on to drive growth as revenue from older products and services declines. IBM is seeking to set itself apart from other cloud providers such as Amazon.com Inc. by focusing on creating Web services that can work seamlessly between private or dedicated servers and public data centers, called the hybrid cloud.

A majority of the company's cloud revenue from 2015 came from "foundational offerings," which refers to the software, hardware, and services IBM sells for clients to build their own clouds. IBM recorded \$5.6 billion last year from that business as part of its \$10.2 billion total in cloud sales, according to the filing.

Cleversafe, founded in 2004, built a data-storage system that works for both in-house and cloud-based servers. At the time of the acquisition, the

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company was valued at a little more than \$200 million based on its last round of financing in 2013, according to estimates by research firm Pitchbook.

In 2015, IBM spent about \$3.6 billion on 14 deals, most of which were for its software segment, according to the filing. The second-largest acquisition was Merge Healthcare Inc., which IBM bought for a little over \$1 billion.

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