

AT&T's Big Baby

The communications equipment division of AT&T was spun off as an independent company called **Lucent Technologies Inc.** A look at the company:

Headquarters

Murray Hill, N.J.

CEO

Henry Schacht

Stock symbol

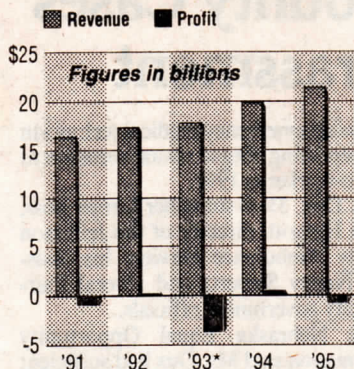
LU, New York Stock Exchange

Initial offering

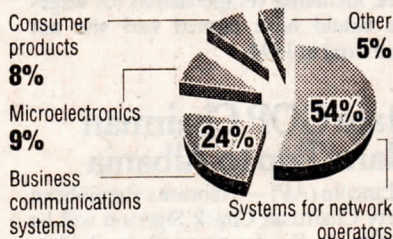
112 million shares for \$27 each; represents 17 percent of overall company with the rest to be divided among AT&T shareholders later this year

*Profit after special charge for change in accounting for income taxes and post-retirement benefits

Source: AT&T, Salomon Brothers



Lucent's businesses



THE ASSOCIATED PRESS

Investors Rush for Stake In AT&T Spinoff Lucent

New York (AP) — A large chunk of AT&T broke off Thursday, becoming Lucent Technologies Inc. and setting off an investor stampede for a stake in the biggest initial public offering of a U.S. company.

The former AT&T Omaha Works is now part of the Lucent organization. The manufacturing plant, located on L Street between 120th and 132nd Streets, employs about 3,300 people.

Investors pushed Lucent's value up 13 percent. Analysts said the activity indicated not only interest in the growing communications equipment industry, but also a strong stock market.

Lucent's 112 million shares were initially priced at \$27 each, making the total offering worth \$3.02 billion. Lucent's stock reached \$32 early Thursday but drifted lower through the day and closed at \$30.62½. It was the most active issue on the New York Stock Exchange. AT&T stock closed down \$1.25 at \$62.87½, also on NYSE.

"It's very impressive that a deal of this size could take place without really hurting the rest of the market for new stocks," said Ryan Jacob, director of research at IPO Value Monitor. "It's a

testament to how strong the market is right now."

The previous largest IPO was Allstate Corp., the insurance company spun off from Sears, Roebuck & Co. in a \$2.1 billion stock offering three years ago.

Lucent accounted for \$21.4 billion of AT&T Corp.'s \$79.6 billion in revenue last year. It emerges as one of the nation's 50 largest industrial companies and the second-largest communications manufacturer after Motorola Inc. It also is the dominant manufacturer of telephones and network switches in the United States.

AT&T's spinoff of Lucent is the first of two planned for this year. The company plans to also spin off its \$8 billion computer manufacturing business, NCR Corp.

AT&T has said it would cut 40,000 jobs during the breakup. About 22,000 of those are in Lucent's operations, which also include computer chip manufacturing and the Bell Laboratories.

The company's underwriters, led by Morgan Stanley and Goldman Sachs, had not been expected to take it public until next week. But interest in the stock was heavy, with institutional buyers

Big IPOs

The initial public offering of Lucent Technologies Inc. is one of the largest in the world by value of stock available to investors.

Worldwide

Billions of dollars (offering date)

British Petroleum	\$12.4 ('87)
British Gas	\$7.7 ('86)
British Steel	\$4.7 ('88)
Wellcome	\$4.1 ('92)
ENI SpA	\$3.9 ('95)
Lucent Technologies	\$3.02 ('96)
TeleDanmark	\$3.0 ('94)
Istituto Nazionale Assicur	\$2.87 ('95)
National Power	\$2.86 ('95)
YPF	\$2.7 ('93)

United States

Lucent Technologies	\$3.02 ('96)
Allstate	\$2.12 ('93)
Consolidated Rail	\$1.6 ('87)
Pacific Telesis	\$1.4 ('93)
Herley Group	\$1.3 ('90)

Source: Securities Data Corp.

lined up four to five deep for each share.

In addition, the merger announced earlier this week by SBC Communications Inc. and Pacific Telesis Group threw more attention on telecommunications. And the prospect of a market downturn loomed around the monthly report on U.S. employment, due today.

But analysts attribute the strong reception for Lucent to the growth prospects for it and the telecommunications equipment industry.

"This is a market that grew 35 percent right through the last recession and it will grow through the next recession," said Michael Murphy, editor of the California Technology Stock Letter. "They're big enough that they're extremely credible as a worldwide supplier."

Slightly more than half of Lucent's revenue comes from selling telephone network switches and about one-fourth is equipment used by companies for

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