

Intel has agreed to buy McAfee Inc. for \$7.68 billion, the world's No. 1 semiconductor company now wants to sell you security software as well in their push beyond PCs.

The all-cash deal announced Thursday marks the biggest acquisition in Intel's 42-year history, an expensive example of Intel's commitment to sell more than chips for personal computers and servers.

Once the deal closes, as expected, McAfee would help Intel improve the security of its chips, which are currently inside about 80 percent of the world's PCs and servers. It also would open a new revenue stream for Intel, which plans to sell McAfee's software alongside its chips for PCs and other Internet-connected devices.

"Everywhere we sell a microprocessor, there's an opportunity for a security software sale to go with it," Intel CEO Paul Otellini said on a conference call with analysts. "It's not just the opportunity to co-sell, it's the opportunity to deeply integrate these into the architecture of our products."

McAfee has about 6,100 employees and \$1.93 billion in revenue last year. Intel had 79,800 employees and \$35.13 billion in revenue.

The price Intel is paying -- \$48 per share -- represents a 60 percent premium over McAfee's Wednesday close of \$29.93.

McAfee shares surged \$17.08, or 57 percent, to close Thursday at \$47.01. The last time McAfee's stock was that high was during the dot-com boom in the late 1990s.

Before McAfee, Intel's biggest acquisition was its \$2.14 billion takeover of Level One Communications in 1999, part of a multibillion-dollar spending spree during the dot-com heyday to beef up Intel's lineup of communications chips. That effort ended with Intel selling most of those businesses in 2006 for \$600 million.

The sell-off illustrated a broader purging by Intel as its finances were suffering under an assault from a scrappy, smaller rival, Advanced Micro Devices Inc., and its encroachment on Intel's turf in server chips. AMD also found another way to hurt Intel: Its complaints about Intel's sales tactics got Intel in trouble with antitrust regulators around the world.

Intel is fighting a record \$1.45 billion antitrust fine in Europe and separate cases in South Korea and New York state. Earlier this month, it squashed the harshest antitrust case it has faced yet by settling with the U.S. Federal Trade Commission. Last year it also settled with AMD for \$1.25 billion.