

Telecom Competitors Merge Successfully

Immense challenge of integrating HTCC with Invitel overcome via collaboration with Capgemini, delivering savings of approximately €17million

The Situation

To foster its growth strategy, Hungarian Telephone and Cable Corporation (HTCC) with its Hungarian subsidiaries Pantel and Hungarotel acquired competitor Invitel in April 2007.

HTCC selected an integrated approach to market its products and services under a single brand name—Invitel. With this acquisition, Invitel confirmed its position as the second largest fixed line telecommunications and broadband Internet service provider in Hungary with over half a million customers. As such, the acquisition led to the creation of a formidable challenger to the market leader. The combined businesses had annual revenues of approximately €350 million, with more than 1,450 employees affected by the acquisition.

The dimension of the merger required an experienced approach towards post-merger integration, especially given a management team goal of full integration within the same year.

The Solution

Based on the positive experience of previous engagements, Capgemini was invited by HTCC management to support the integration with a sophisticated Program Management Office (PMO). The objective was to ensure a facilitated, structured, and best-in-class Post-Merger Integration (PMI).

Initially, a high-profile PMI project chaired at the CEO level ensured quick decision-making along the merger processes. Within the overall PMI team, multiple streams with more than

“The joint post-merger project team of Invitel and Capgemini not only overachieved on the initial synergy estimates but also mastered the exciting merger integration process in record time.”

Martin Lea
President and CEO,
HTCC



20 different initiatives were developed across the entire company to take appropriate actions and decisions.

Thus, a detailed integration master plan for the first 100 days was designed and the necessary PMO toolset, including reporting as well as issue and mitigation management, was introduced. In addition, an advanced tracking and reporting system for cost synergies was developed and utilized throughout the project. This tracking system also proved to be a key toolset for top management reporting, both internally as well as to external stakeholders.

The Result

The joint post-merger integration team chose a holistic transformation process that led to bottom-line synergies of approximately €17million in recurring OPEX savings. This result proved to be 14% higher than initially committed by management and reported to key stakeholders.

Furthermore, the speed of the integration was impressive, which resulted in more than 90% of the annualized expected synergies being secured within the same calendar year of closing the deal.

Based on previous assignments, Capgemini provided a comprehensive set of industry cost and synergy benchmarks and best practices to foster the full exploitation of synergies in all focus areas throughout the integration. In addition to resource structure optimizations, major savings were realized in technical areas such as the network.

Complementing these major pillars, the post-merger integration team identified several further synergy areas, such as strategic sourcing. These areas represented a significant share of the non-headcount related cost synergies by exploiting the full purchasing power through increased volume and implementing a best-in-class strategic sourcing process. In addition, call center optimization, revenue assurance, and IT improvement initiatives were launched by the PMI program.

How Invitel and Capgemini Worked Together

The success of the post-merger integration was based on detailed analysis of the underlying cost structure of the company. Carried out by top management at HTCC and supported by Capgemini, this included subsequent cost synergy estimates.

Together, the joint team developed effective strategies to smoothly integrate all functions within the company. This enabled the joint PMI team to deliver an ambitious, multi-phase, post-merger program in a truly collaborative fashion, with teams working closely together during all phases of the transformation process. The continuous commitment of the joint team throughout the entire post-merger integration period was essential in making the program a

success. In many ways, this was a perfect example of Capgemini's Collaborative Business Experience.

The effective post-merger integration process of HTCC and Invitel has served as a blueprint for further acquisitions by HTCC. Leveraging the experience from this integration, it has since acquired a series of companies, such as Tele2 and Memorex.

The successful integration was a key milestone for HTCC, helping strengthen its position as the second largest fixed line telecommunications and broadband Internet service provider in Hungary, and the prime alternative to the market leader. In addition to delivering voice, data, and Internet services in Hungary, it has now also become a major player in the Central and Eastern European region.



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Capgemini provides its clients with insights and capabilities that boost their freedom to achieve superior results through a unique way of working - the Collaborative Business Experience® -

and through a global delivery model called Rightshore®, which aims to offer the right resources in the right location at competitive cost. Present in 36 countries, Capgemini reported 2007 global revenues of EUR 8.7 billion and employs over 83,000 people worldwide.

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 Post-Merger Integration

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In collaboration with **invitel**
Távközlési Zrt.

Hungarian Telephone and Cable Corp. (HTCC) is a telecommunications provider operating in Hungary through its subsidiary and brand Invitel. The company also offers Internet and data services to business customers in Romania through Euroweb Romania, another subsidiary. It offers fixed line telecommunications services to residential and business customers in its 14

historical concession areas, with a backbone network covering Hungary and beyond. HTCC also uses its network capacity to transport voice, data and Internet traffic on a wholesale basis for other telecommunications service providers and Internet service providers. The company has four core markets: mass market voice, mass market Internet, business and wholesale. More information is available at www.invitel.hu or www.htcc.hu