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Mitel To Acquire Inter-Tel



By [Greg Galitzine](#), Group Editorial Director

Mitel Networks and Inter-Tel announced yesterday that they have signed a definitive merger agreement whereby Mitel will acquire Inter-Tel for \$25.60 per Inter-Tel share in cash, representing a total purchase price of approximately \$723 million.

Does this mean that the newly merged company can now leverage the resources necessary to more effectively compete against the larger competitors such as Avaya and Cisco and Nortel? I asked Brian Riggs, Principal Analyst, Enterprise Communications over at Current Analysis what this merger means for the competitive landscape.

According to Riggs, "Mitel has many rivals in the SMB space. Avaya, Cisco, and Nortel, they can't do much about each other than compete head-to-head. But the situation is different when it comes to some of the smaller communications suppliers. In acquiring Inter-Tel, Mitel is eliminating one of its chief rivals in the United States. Now, rather than compete with Inter-Tel, Mitel will be able to leverage the company's customers and reseller network to build a better business for itself outside Canada and the UK."

I also expressed my concerns to Riggs that seeing as this merger is not between two diverse companies with vastly different product offerings, that the joining of Inter-Tel and Mitel will result in a fair amount of consolidation due to product lines and markets and technologies that overlap.

Riggs agreed, but he believes that there is no need for any immediate panic. "Many of the core products in the Mitel and Inter-Tel portfolio overlap, such as the Mitel SX-200 and Inter-Tel Axxess, the Mitel 3000 and Inter-Tel 7000. The combined company will either have to integrate separate communications platforms or make some tough decisions on which products stay and which go. But this will be a long-term project. In upcoming months, and maybe years, there is no reason the combined company can't continue selling two separate product lines to two largely separate customer bases in separate regions.

Mitel had planned to go public with an IPO, but for a variety of reasons the company kept putting off the offering. It would have been a unique story, in that this would have been the second time Mitel had gone public.

Addressing the long-expected IPO, Mitel's CEO Don Smith explained, "Having rapidly achieved the next step in our long-term growth plans with this merger, we will for the near-term, withdraw Mitel from the IPO registration process."

In the end, it looks like another shrewd business decision by Mitel's Chairman, Terry Matthews, who has a rather impressive [track record of success](#) in the IP Communications industry.

"I believe this is a great fit and a win-win for all involved," said Matthews, Chairman of Mitel. "These are two entrepreneurial companies with the agility, flexibility and drive to win in the global market."

The merger brings together two companies with broad product lines in unified communications, networking, and applications such as messaging, contact centers, mobility and collaboration. It's fair to say that the companies' commitment to open standards, such as SIP, will help them integrate the best of both portfolios with minimum disruption to customers. According to the release announcing the merger, the companies believe that partners who have developed solutions compatible with both companies' products are expected to see a more compelling opportunity to extend their value proposition.

According to Smith, "We believe the merger will deliver value to customers, channel partners, employees and shareholders while making us the clear choice for new clients."

The boards of directors of both companies have approved the transaction and it is subject to the approval of Inter-Tel stockholders and other customary closing conditions, including regulatory approvals. The transaction is expected to close in the

third quarter of 2007.

Greg Galitzine is Editorial Director of TMC's IP Communications group, which includes INTERNET TELEPHONY magazine, SIP magazine, IMS magazine and the just announced UNIFIED COMMUNICATIONS magazine as well as the industry's leading Web site, TMCnet.

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