



Mitel-Aastra: A Merger for Offense and Defense

Description

By Cameron Conway

Back on Nov. 11, **Mitel Networks** (TSX:MNW, NASDAQ:MITL) [announced](#) that it had reached a definitive agreement to purchase Ontario-based **Aastra Technologies** (TSX:AAH). This merger will create a billion-dollar company that will specialize in enterprise communications, cloud and premises-based unified communications solutions.

Mitel will acquire all of Aastra's outstanding common shares at a price of US\$6.52 in cash, plus 3.6 Mitel common shares for each Aastra common share. The total deal price: \$392 million (CAD\$31.96 per Aastra share). The company headquarters will remain in Ottawa under the name Mitel.

The deal is expected to be completed by the first quarter of 2014, although it must first get approval from shareholders on both sides, the TSX and NASDAQ. It's also subject to the terms of the Investment Canada Act.

Benefits of the deal

The merger seems to make sense for both companies. While the tie-up gives more size and clout to the Mitel brand, globally though it will still lag just behind larger competitors such as **Avaya** and **Cisco Systems**.

Importantly, the Mitel-Aastra merger allows the new company to play offense in North America, where it's currently third in market share, while playing defense in Western Europe — Mitel maintains a stronghold on that market, which would have been much more difficult to defend without the inclusion of Aastra.

The Mitel-Aastra deal is expected to open up a potential global customer base of 60 million end users. This merger will bring together Aastra's global operations that include direct and indirect presence in more than 100 countries, together with Mitel's strong presence in North America and the UK,

It will also connect Mitel's \$100 million a year Ottawa R&D facility to Aastra's R&D facilities in France,

Germany and Switzerland. The company hopes to reduce operating costs by \$45 million over the next two years thanks to synchronization between the two entities.

Foolish bottom line

The merger announcement came only a week after **Open Text** revealed its plans to buy cloud-based business-to-business service provider **GSX Group** for \$1.17 billion. Perhaps Open Text's plans added a sense of urgency to the Mitel/Aastra merger. Certainly, it will force other communications support companies to make hard choices: get big and grow, or be left behind.

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