

EXPERT DRIVEN INTEGRATION: HOW LEVEL 3 USED EFFECTIVE MERGER INTEGRATION TO ACHIEVE INCREASED ENTERPRISE VALUE

LEVEL 3 COMMUNICATIONS

SITUATION: LEVEL 3 COMMUNICATIONS ACQUIRES TW TELECOM TO INCREASE SCALE, ENHANCE COMPETITIVE POSITIONING AND TRANSFORM ITS BUSINESS.

On June 16, 2014, Level 3 Communications, a Fortune 500 company with \$6.4 billion in revenues that provides fiber optic and infrastructure connectivity to corporations, government entities and other telecom companies, announced its acquisition of top-performing local exchange carrier tw telecom in a transaction valued at \$7.3 billion. Its intent was to create an industry powerhouse and use the deal to transform its operating model.

The selection of FTI Consulting to co-run the integration planning tells a story of collaboration and both companies' trust in FTI Consulting's execution capabilities, in addition to FTI Consulting's strategic advisory differentiation and deep telecom industry expertise. FTI Consulting helped both Level 3 and tw telecom integrate other mergers successfully in past years. In 2011, FTI Consulting led the merger integration planning along with Level 3's team for its \$1.9 billion acquisition of Global Crossing, and in 2006, FTI Consulting led the integration work when tw telecom acquired Xspedius Communications in a \$530 million transaction.

“ FTI Consulting's TMT team was a great partner as we approached the tw telecom integration. They have been a big contributor to our success in the planning and execution process. Their industry expertise, in addition to their “dig in and get it done” style, is a great complement and fit to how we work at Level 3. ”

JEFF STOREY
President and CEO
Level 3 Communications

“ Level 3's integration planning for the tw telecom merger was highly strategic for the ongoing success of our company. FTI Consulting instantly embedded themselves as part of our integration team and demonstrated that they felt equally accountable for the success of our integration. They raised the right issues, forced discussions and decisions, and helped us drive our planning process in a rigorous and comprehensive fashion. We are thankful for FTI Consulting and their team. ”

LAURINDA PANG
Chief Integration Officer
Level 3 Communications

“ More so than any other consulting firm I've worked with over my 10+ years at Level 3, FTI Consulting differentiates itself from the competition in the areas of partnership and collaboration. I'm always amazed at how quickly the FTI Consulting team immerses and assimilates into our culture to effectively work with our functional teams. At a senior strategic advisory level, these partnerships are paramount to success, especially in the face of internal resistance largely stemming from historical practices ('This is the way we've always done it'), the political landscape and preconceived notions. ”

TODD SMITH
Vice President, M&A Integrations
Level 3 Communications

FTI CONSULTING'S ROLE: HELP LEVEL 3 DESIGN AND PLAN AN INTEGRATED PRODUCT, NETWORK & IT ROADMAP, A FULLY INTEGRATED NEW SALES FORCE AND THE INTEGRATION OF ALL FUNCTIONS

FTI Consulting, in collaboration with Level 3, led planning to ensure revenue momentum from both companies was maintained throughout the integration planning process. The team performed profitability analyses and developed detailed product, network and IT roadmaps down to departmental levels. FTI Consulting also ran the Clean Room gathering complex customer, revenue, and pricing data from both legacy companies to identify potential overlapping customer accounts and optimal product pricing strategies for the combined company. The critical output data was used for customer account rationalization, building out the NA General Manager (GM) market structure and sales coverage modeling.

FTI Consulting team members provided leadership in both the strategic and tactical planning. Level 3 wanted and got a consulting team who is willing to "speak truth to power" as an independent advocate for merging the best people and best practices from both organizations, while also able to align stakeholders around a common vision for the merged company. FTI Consulting worked side by side with the integration team leaders across both companies to rapidly reach implementable plans and then to roll out a fully integrated new sales force design, including the formation of a Global Account Management group for large cross-border, MNC-type accounts.

OUTCOME: EFFECTIVE INTEGRATION LED LEVEL 3 TO EXCEED ITS EARNINGS AND SYNERGY GOALS IN THE FIRST FULL QUARTER POST-CLOSE

FTI Consulting's merger integration team helped Level 3 to exceed expectations in both recent acquisitions. Level 3 recently announced that it had beaten forecasts for 1Q15, the first full quarter after the closing of the tw Telecom acquisition, that it maintained its sales momentum through the integration of the sales teams, and that the deal is on track to achieve the targeted \$200 million in synergies.

In the 2011 Global Crossing integration, Level 3 also beat its synergy targets - over \$200M - and achieved a successful integration aided by FTI Consulting.

All together, the several merger integration processes led by FTI Consulting for Level 3 are expected to contribute nearly ½ billion dollars in synergies in addition to a completely integrated company with an enterprise value that vastly exceeds the sum of the prior three companies.



ABOUT FTI CONSULTING

FTI Consulting, Inc. is a global business advisory firm dedicated to helping organizations protect and enhance enterprise value in an increasingly complex legal, regulatory and economic environment. FTI Consulting professionals, who are located in all major business centers throughout the world, work closely with clients to anticipate, illuminate and overcome complex business challenges in areas such as investigations, litigation, mergers and acquisitions, regulatory issues, reputation management and restructuring. More information can be found at www.fticonsulting.com.

CONTACTS

Carlyn Taylor
Telecom, Media & Technology
Practice Leader
Corporate Finance/
Restructuring
303.689.8858
carlyn.taylor@fticonsulting.com

Jiva Jagtap
Senior Managing Director
Corporate Finance/
Restructuring
303.689.8868
jiva.jagtap@fticonsulting.com

Michael F. Murphy
Senior Managing Director
Corporate Finance/
Restructuring
303.689.8800
mike.murphy@fticonsulting.com