

## **Capgemini Survey: International Utility Executives believe 2006 is Year of the Utility Merger**

*Edison Electric Institute International Utility Conference Attendees Say Business Process Outsourcing Strengthens Balance Sheets and Fuels Investment*

**LONDON (February 21, 2006)** – International utility executives gathered here this week believe that increasing deregulation will continue to drive M&A activity in the European utility market. Nearly half of executives surveyed (48 percent) said the main drivers in Europe are deregulatory progress and the need for utilities to gain new market share. But nearly 40 percent said that regulatory scrutiny would delay most deals.

Executives were split on the likelihood of additional M&A activity in the US, despite the recent repeal of U.S. laws that have restricted mergers and acquisitions among utilities:

- 32 percent think 2006 will be the Year of the Utility Merger.
- 32 percent believe most utility companies don't yet see the benefits of M&A strategies.
- 28 percent view regulatory scrutiny as delaying the completion of most deals.

On both sides of the Atlantic, respondents believe that the ability of generation and commercial synergies may or will absolutely increase the viability of M&A strategies for the utility sector (96 percent). And, respondents believe that the ability to create synergies and efficiencies in back office management may or will absolutely increase the viability of M&A strategies (96 percent). Also, the study found that nearly three in four executives (71 percent) believe more business process outsourcing of finance, human resources and IT functions is likely in the future because it strengthens balance sheets and generates free cash flow that can be invested elsewhere in the business.

A fourth of respondents said utilities should “absolutely” outsource horizontal processes *before* a merger or acquisition in order to gain immediate cost savings. And another 54 percent said utilities “maybe” should outsource.

The Pulse survey of 24 utility executives, representing 63 percent of utility attendees at the Edison Electric Institute (EEI) International Utility Conference, was conducted by Capgemini, a global leader in consulting, technology and outsourcing.

“The Capgemini survey shows that a majority of utility industry executives are convinced that consolidation will sweep utilities on either side of the Atlantic,” said Colette Lewiner, Senior Vice President and Global Energy & Utilities Leader, Capgemini. “Clearly more transformational outsourcing will take place to achieve needed synergies as consolidation continues in the industry. But, as our survey suggests, the pace of consolidation could be slowed down by regulatory obstacles.”

Other key findings from the Capgemini pulse survey at the EEI International Utility Conference:

- 54 percent of executives are less positive about the security of supply in Europe than they were 12 months ago. Only 4 percent are more positive about supply security and 42 percent are unchanged.
- 60 percent expect their company's investments in technology projects to increase in 2006, while 40 percent expect their investment levels to stay the same as 2005
- 30 percent of executives are less positive than they were 12 months ago on the state of electricity deregulation in the European Union. Nearly 20 percent are more positive.

To see the full results please use the contacts below.

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### **Contacts:**

#### **Andrew Adie, Citigate Dewe Rogerson (For Capgemini)**

Tel: 0207 638 9571

[Andrew.Adie@citigatedr.co.uk](mailto:Andrew.Adie@citigatedr.co.uk)

#### **Joe Gimenez - GCI Group (For Capgemini)**

Tel: +1 713-478-8034

[jgimenez@gcigroup.com](mailto:jgimenez@gcigroup.com)