



## **DETERMINATION OF MERGER NOTIFICATION M/13/014 -**

### **arvato infoscore GMBH/Gothia Financial Group**

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#### **Section 21 of the Competition Act 2002**

#### **Proposed acquisition by arvato infoscore of sole control of Gothia Financial Group**

**Dated 17/May/2013**

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#### **Introduction**

1. On 24th April 2013, in accordance with section 18 of the Competition Act 2002 ("the Act"), the Competition Authority ("the Authority") received a notification of a proposed transaction whereby Bertelsmann SE & Co. KGaA ("Bertelsmann") would acquire the entire issued and outstanding shares in Gothia Financial Group A.S. ("Gothia") through arvato infoscore GmbH ("arvato").

#### **The Undertakings Involved**

##### *The Acquirer*

2. Arvato is a private limited liability company organised under the laws of Germany and a wholly owned subsidiary of Bertelsmann. It provides business processes solutions including all services related to the manufacture and distribution of printed products and digital storage media, as well as data management, customer care, customer relationship management services, supply chain management, digital distribution, financial services, and individualised IT services.
3. Bertelsmann, headquartered in Gütersloh, Germany, is a private partnership limited by shares,<sup>1</sup> and active in over 50 countries in television, radio, book publishing, magazine publishing, media services and media clubs. 80.9 per cent of the share capital in Bertelsmann is held indirectly by foundations (Bertelsmann Stiftung, Reinhard Mohn Stiftung, BVG-Stiftung) and 19.1 percent is held indirectly by the Mohn family. Bertelsmann has four corporate divisions:<sup>2</sup>
  - RTL Group ("RTL") is a broadcasting and production company operating radio and television stations within Europe but not within the State,
  - Random House is involved in book publishing,
  - Gruner + Jahr ("G+J") is involved in printing and publishing magazines and newspapers including via the internet, and

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<sup>1</sup> For further details see <<http://bertelsmann.com/Investor-Relations/Bertelsmann-at-a-Glance/Shareholder-Structure.html>>

<sup>2</sup> For more information on Bertelsmann's corporate divisions see <<http://www.bertelsmann.com/Corporate-Divisions.html>>.

- Arvato AG is involved in business process outsourcing (“BPO”) and other services such as billing and payments processing and customer relationship management.
4. For the year ended 31 December 2012 Bertelsmann’s worldwide turnover was approximately €16,065 million, of which approximately €[...] million was generated in the State.<sup>3</sup>
  5. Within the Bertelsmann’s subsidiaries, arvato AG accounts for [...] % of its overall turnover. Within the State the majority of Bertelsmann’s turnover, i.e., approximately [...] %, derives predominantly from arvato’s wholly owned Irish subsidiary, arvato Finance Services Limited, and also through the wider arvato group of companies.<sup>4</sup> Within the State arvato Finance Services Limited is involved in business process outsourcing (BPO), finance services (e.g., billing and payment processing), customer relationship management services (including contact centre solutions - i.e. customer services, sales, technical support and collections), loyalty and customer retention (e.g., loyalty systems, rewards management, fulfilment and customer services), supply chain services and public sector and citizen services particularly at the level of local government.<sup>5</sup>

#### *The Target*

6. Gothia is currently owned and controlled by Herkules Private Equity III (Jersey-I) and (Jersey II) L.P. and some minority shareholders (together the “Sellers”). Herkules is a Norwegian Private Equity firm. Herkules consists of the three funds, with a total capital base of € [...] million in committed capital from Norwegian and international investors.<sup>6</sup>
7. Gothia is a European credit management solutions provider with service offerings that include
  - Administrative and financial services: invoice financing and administration services, including online payment solutions (PayByBill);
  - Third party debt collection, including offering: contingency collection and recovery of overdue debt, as well as credit management process outsourcing;
  - Continuous purchase services: agreements to continuously purchase debt claims that satisfy a list of pre-agreed criteria;
  - Old debt portfolio purchases: purchase of defaulted debt portfolios.
8. Gothia’s only physical presence in the State consists of BCW Collections Ireland Limited (“BCIL”), a wholly owned subsidiary of BCW Group Limited (“BCW”) which is based in the UK. BCW, headquartered

<sup>3</sup> For information of Bertelsmann’s other Irish based subsidiaries please see the Authority’s determination M/13/04.

<sup>4</sup> This figure is calculated on the basis of unaudited accounts for the financial year ended 31 December 2012.

<sup>5</sup> See <<http://www.arvato.ie/en/our-commitment-to-ireland/services.html>>.

<sup>6</sup> Companies owned by Herkules funds are Noratel, European Furniture Group, Nevion, Estrella Maarud, Gothia Financial Group, Bankdak, New Store Europe, Enoro, Odlo Sports Group, Intelcom. See <http://www.herkulescapital.no/index.php?visID=2>

in Glasgow, has 621 staff covering 8 sites across the UK and Ireland in Glasgow, Leeds, Warrington, Stratford, Worthing, Dublin, Limerick and Sligo. BCW's clients are mainly in the utilities and telecom sectors.<sup>7</sup>

9. BCIL offers services, including consumer collection, debt purchase, trace and collect, commercial collection and receivables outsourcing in the State.
10. For the year ended 31 December 2012, the Target's worldwide turnover was approximately € [...] million, of which approximately € [...] million was generated in the State.

### **Third Party Submissions**

11. No submission was received.

### **Rationale for Transaction**

12. The submission states that "*The main rationale behind the acquisition is to expand and further internationalise the business of arvato. The Target possesses a product, industry focus and business philosophy that is attractive to the Purchaser and arvato aims to realise revenue and cost synergies in view of a similar business approach.*"<sup>8</sup>

### **Analysis**

#### Horizontal Overlap

13. There is a global overlap in the activities of arvato and Gothia. Both arvato and Gothia are involved in supplying factoring services in other jurisdictions but neither party offers such services in the State.<sup>9</sup> Therefore, there is no overlap in the provision of such services in the State.
14. The Target is engaged in the provision of debt collection services in the State. However the Purchaser does not offer debt collection services to customers on the island of Ireland. As such there is no overlap in the provision of debt collection services in the State.
15. There is an overlap in arvato and Gothia's services in the area of BPO services in the State. BPO accounts for approximately [...] per cent of the Target's Irish business, and is used to cover services such as [...]. The parties provided the following market share estimation from Gartner for BPO services.

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<sup>7</sup> Source: [http://www.bcwgroup.com/ireland\\_3.asp](http://www.bcwgroup.com/ireland_3.asp)

<sup>8</sup> Source: page 8 notification.

<sup>9</sup> The European Commission has previously defined factoring as "a financial service by which a commercial client pledges its debtors to a factoring company that will collect the money. Factoring comprises the purchase of all kinds of receivables from businesses, thereby providing customers with added liquidity. In this respect, it includes the on-going purchase of short-term trade accounts receivable by a factoring company as well as the individual well-directed purchase of a customer's receivables for particular refinancing purposes" – Case No COMP/M.6244 – BNP Paribas/Fortis Commercial Finance Holding, para 15.

ROI BPO Share of Supply 2012		
	Value €000s	Per cent (%)
Capgemini	[...]	[30-35]
OSG	[...]	[5-10]
Capita	[...]	[5-10]
IBM	[...]	[5-10]
<b>Target</b>	[...]	[0-5]
Genpact	[...]	[0-5]
<b>Purchaser</b>	[...]	[0-5]
Others	[...]	[40-45]
<b>Total</b>	[...]	100

16. From the above estimated market share information, the combined market shares of the Purchaser and the Target resulting from the proposed transaction are less than five percent. There will continue to be alternative suppliers of BPO services within the State such as Capgemini, OSG, Capita, IBM and others.
17. In light of the above, the Authority concludes that the proposed transaction will not raise competition concerns in any market for goods or services in the State.

#### **Ancillary Restraints**

18. The agreement between the parties contains non-solicitation and non-compete covenants with respect to [...] to apply for a period of two years post completion.
19. The Authority considers that these restrictions are directly related to and necessary for the implementation of the proposed transaction.

## **Determination**

The Competition Authority, in accordance with Section 21(2)(a) of the Competition Act, 2002, has determined that, in its opinion, the result of the proposed acquisition by **arvato infoscore GMBH** of **Gothia Financial Group** will not be to substantially lessen competition in markets for goods and services in the State and, accordingly, that the acquisition may be put into effect.

## **For the Competition Authority**

Stephen Calkins  
Member of the Competition Authority  
Director, Mergers Division