



DETERMINATION OF MERGER NOTIFICATION M/14/003 –

Future / Wrapports / Aggrego

Section 21 of the Competition Act 2002

Proposed acquisition of joint control of Aggrego Services LLC by Future Holdings Limited and Wrapports Ventures LLC

Dated 24 February 2014

Introduction

1. On 27 January 2014, in accordance with section 18(1)(b) of the Competition Act 2002 (“the Act”), the Competition Authority (“the Authority”), received a notification of a proposed acquisition of joint control by Future Holdings Limited (“Future”), an indirectly held wholly owned subsidiary of the Digicel Group (“Digicel”), and Wrapports Ventures LLC, a wholly owned subsidiary of Wrapports LLC (together referred to as ‘Wrapports’), of Aggrego Services, LLC (“Aggrego”).
2. On 27 January 2013, pursuant to section 23(1) of the Act, the Authority forwarded a copy of the notification to the Minister and notified the undertakings involved in the proposed transaction that the Authority considered it to be a “media merger” within the meaning of section 23 of the Act.

The Undertakings

Future

3. Future, a limited liability company incorporated in Bermuda for the sole purpose of the proposed transaction, is an indirectly held, wholly owned subsidiary of, the Digicel Group.
4. The Digicel Group, based in Jamaica, is active in the provision of mobile telecommunications services in the Caribbean, Central America and across Asia-Pacific.¹ Denis O’Brien, a private individual, ultimately owns and controls the Digicel Group. Mr. O’Brien also has interests in various sectors including radio, entertainment and aircraft leasing.²
5. Denis O’Brien also controls the Communicorp Group Limited (“Communicorp”), which ultimately owns and operates radio stations in Ireland, the Czech Republic, Hungary, Bulgaria, Latvia and Jordan. Communicorp recently announced the proposed acquisition of eight UK radio stations.

¹ For more information on Digicel Group see: www.digicelgroup.com

² Including the following: Business Recovery Services Ltd (IT disaster recovery), Aergo Capital Ltd (aircraft leasing), SiteServ plc (infrastructure and utilities support services), TBL Holdings Ltd (operation of coffee and muffin shops), China HR (online recruitment websites and software in China) and Blue Ocean Associates Limited (supply of motor fuel products in the UK).

6. Within the State, Communicorp ultimately controls and operates six commercial radio stations, including 98FM,³ Newstalk, TodayFM, Spin 103.8, Phantom FM and Spin South West,⁴ each of which provides radio broadcasting and advertising services in various regions in the State. Communicorp also controls 80% of ICAN Limited, an agency providing services and advice to clients on advertising and media strategies.⁵
7. Communicorp is also active within the State in the provision of digital media products including the development of websites and mobile applications and the design and implementation of digital marketing campaigns.
8. In addition to the controlling interests set out above, Denis O'Brien also has various property and share interests, including, as of 4 May 2012, a 29.9% shareholding in Independent News and Media PLC ("INM"), an international media group with interests in the State (INM publishes the Irish Independent, the Sunday Independent and various Irish regional newspapers), Northern Ireland, South Africa, Australia and New Zealand.
9. For the financial year ending 31 December 2012, Denis O'Brien generated, from all of his business interests, a worldwide turnover of €[...], of which €[...] was generated in the State.

Wrapports

10. Wrapports, established in 2011 and based in Illinois in the US, is privately owned by US-based investors.⁶ Wrapports is active in publishing, operating associated websites and advertising.⁷ Wrapports owns and operates the Chicago Sun Times and suntimes.com along with seven suburban daily newspapers,⁸ 23 weekly newspapers published by the pioneer press and associated websites (e.g. the Chicago Reader and Splash). It also operates the Chicago.com website, which provides local and events and activities content and sells the '@chicago.com' e-mail address. Wrapports focuses its target advertising and circulation audience on Illinois in the USA.
11. Wrapports holds investments in Aggrego, High School Cube LLC (which provides live streaming and replays of US high school sporting events, academic competitions and artistic performances) and Higi LLC (a US online health site). Wrapports has no activities within the State.

³ Radio Two Thousand Ltd, the operator of 98FM also has a 15.2% interest in Independent Network News Ltd ("INN"), which provides a national news service to Ireland's regional and local radio stations. INN supplies a copy and audio service and hourly news and sports bulletins. In addition both 98FM and Spin 103.8 are included as part of the Independent Radio Sales services.

⁴ The following companies operate the various radio stations: Radio Two Thousand Ltd (98FM), News 106 Ltd (Newstalk) Radio Ireland Ltd (Today FM), Maypril Ltd (Spin 103.8), Dublin Radio Rock Ltd (Phantom FM) and SPIN South West Ltd (Spin South West).

⁵ For more information see: www.ican.ie

⁶ The parties submit that no single investor in Wrapports LLC owns a majority of equity or otherwise controls Wrapports LLC. For more information see: www.wrapports.com.

⁷ Wrapports owns several entities including: Sun-Times Media Holdings LLC, Wrapports Acquisition, STM Reader LLC, Straight Dope LLC, Splash Publications LLC,

⁸ Including the Beacon-News, Courier-News, Herald-News, Lake County News-Sun, Naperville Sun, Post Tribune and the SouthtownStar, Chicago Reader.

12. For the financial year ending 31 December 2012, Wrapports had a worldwide turnover of approximately €[...] but did not generate any turnover within the State.⁹

Aggrego

13. Aggrego is currently owned and controlled by Wrapports.¹⁰ Aggrego is a media-technology company which offers consultation and services in digital publishing software and infrastructure technology along with digital content and sales strategy to clients and other media partners.
14. Aggrego is involved in the provision of various types of digital media content and it curates, manages and produces content, including community or local-driven editorial content and paid native/sponsored content which it assembles into web sites (for desktop, tablet & mobile portals) and native applications.¹¹ Aggrego has two content operations, namely (a) news content and (b) advertising/commercial-related content.
15. Until very recently, Aggrego currently had no activities within the State. However, the parties informed the Authority that a pilot project has been established to run initially from 1 March 2014 to 31 July 2014, aiming to launch the Irish pilot sites (desktop, tablet & mobile) in April 2014. The project aims to test local digital news and content sites and will focus on mobile distribution and viewership with the goal of evaluating the viability of a more mobile-focused news and content approach (for both audience adoption and for a sustainable revenue model). Following completion, the project will be evaluated and may be terminated, extended and/or modified. In addition Aggrego has engaged Communicorp to provide it with certain services, including putting into place a sales team.
16. For the financial year ending 31 December 2013, Aggrego recorded no turnover either worldwide or within the State.

Rationale for the Proposed Acquisition

17. Future submits that the proposed transaction "*presents it with the opportunity to enter the online advertising market in the Caribbean, South Pacific, Central America and the US*".

Third Party Submissions

18. No third party submission was received.

Competitive Analysis

19. The parties submit that the market affected by the proposed transaction is the online advertising market in the Caribbean, South Pacific, Central America and the US. The parties further submit that the segment affected by the transaction is the market for online advertising via local websites aggregating local and available media

⁹ Converted using the average ECB exchange rate for 2012 of €0.809 = USD\$1.

¹⁰ The remaining [...] % is owned by an authorised employee pool.

¹¹ Native applications are application programs that are developed for use on a particular devices or platforms and can take full advantage of all the device features (e.g. use the camera, the GPS and contact lists etc). They are installed on the device itself and are accessed via icons. See <http://searchsoftwarequality.techtarget.com/definition/native-application-native-app>.

content in the Caribbean, South Pacific, Central America and the US. The parties further submit that there are no horizontal or vertical overlaps between the undertakings involved.

20. With respect to the relevant product market the Authority considers that it is not necessary to further segment the product market in this case as the proposed acquisition will not substantially lessen competition in the State in any of the potential markets or market segments.
21. However the Authority does consider there to be both horizontal and vertical overlaps between the undertakings involved. Communicorp, Wrapports and Aggrego are involved in the provision of digital media products outside the State.
22. Denis O'Brien is active within the State in broadcasting, radio advertising and digital media through Communicorp. Through his interest in INM, Mr. O'Brien also has an interest in publishing and advertising in print and online media and in the online advertising business.
23. While Aggrego has to date not made any commercial decision to proceed with a digital media business in the State it is in the process of establishing a small pilot project to assess "the feasibility of developing a market for online advertising by way of local websites aggregating local and available media content in Ireland."¹² Furthermore Aggrego has "engaged Communicorp Group Limited to provide certain services to Aggrego including putting in place a sales team for Aggrego to determine sales potential."¹³
24. Consequently there are arguably both horizontal and vertical overlaps between Communicorp and Aggrego.
25. However Aggrego is a small player both worldwide and within the State in the provision of digital media products and its business is predominantly focused on the Chicago area. Despite its running a pilot project it has not to date established a viable business within the State.
26. The Authority also notes that there are a significant number of larger firms engaged in the provision of digital media and online advertising services in the State.
27. Accordingly given the circumstances of this case the Authority considers that the proposed transaction will not substantially lessen competition in the State.

Conclusion

28. In light of the above the proposed transaction will not result in a substantial lessening of competition in any market for goods or services in the State.

¹² Notification Form submitted by the parties p.12.

¹³ Ibid.

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 whereby the Digicel Group, via its wholly owned indirect subsidiary Future Holdings Limited, and Wrapports LLC, via its wholly owned subsidiary Wrapports Ventures LLC, would acquire joint control of Aggrego Services, LLC will not be to substantially lessen competition in markets for goods or 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