



DETERMINATION OF MERGER NOTIFICATION M/14/023 -

Noonan/Resource

Section 21 of the Competition Act 2002

Proposed acquisition by Noonan Services Group Limited and Noonan Services Group (NI) Limited of sole control of the business and assets of Resource Facilities Support Limited, Resource (NI) Limited and Resource Services Group Limited

Dated 8 October 2014

Introduction

1. On 19 September 2014, in accordance with section 18 of the Competition Act 2002 ("the Act"), the Competition Authority ("the Authority") received a notification of a proposed acquisition whereby Noonan Services Group Limited and Noonan Services Group (NI) Limited (together "Noonan") would acquire sole control of the business and assets of Resource Facilities Support Limited, Resource (NI) Limited and Resource Services Group Limited ("the Target Assets"). Noonan is ultimately controlled by Alchemy Partners (Guernsey) Limited ("Alchemy"). The Target Assets are controlled by Resource (No 1) Limited (the "Resource Group") which is currently in administration.

The Undertakings Involved

Alchemy

2. Alchemy is a private equity firm in the United Kingdom which makes equity investments in leveraged and management buy-outs and buy-ins and provides development capital, principally in the United Kingdom and Europe. Alchemy has a controlling interest in a number of portfolio companies, including Noonan.
3. Noonan provides outsourced services in the State and the United Kingdom. These services include: integrated facility management services; technical services; building management services; security services; cleaning services; landscaping services; environmental services; and pest management services.
4. For the year ending 31 December 2013, Alchemy's worldwide turnover was €[...]. Alchemy's turnover in the State for the same period was €[...].

The Target

5. The Target Assets comprise assets that are held by subsidiaries owned by the Resource Group, a privately-held company that supplies support services such as cleaning, security services, front of house staff, car park management and window cleaning across the private and public

sectors. The Resource Group has offices in Leeds, Glasgow, the Isle of Man, Belfast, Dublin, Galway and Limerick.

6. The Target Assets encompass cleaning and industrial cleaning services (including window cleaning, road cleaning, carpet cleaning and maintenance), security services (for the provision of manned guarding services to customers in the State and Northern Ireland), catering services (including a small number of contracts for the provision of food services to customers in the State and Northern Ireland) and ancillary services (including janitorial supply, waste management and feminine hygiene).
7. For the financial year ending 31 December 2013, the Target Assets' worldwide turnover was €[...]. The Target Assets' turnover in the State for the same period was €[...].

Rationale for the Proposed Acquisition

8. The parties state in the notification:

“Resource (No 1) Limited, the parent company of the companies which own the Target Assets, is in very severe financial difficulty and is currently in administration. In the absence of the proposed transaction, it is highly likely that the business relating to the Target Assets would cease, resulting in a very significant loss of employment. The Resource Group is a UK business with a small presence in Ireland, whereas Noonan is active in Ireland with a small presence in the UK. The proposed transaction will enable Noonan to compete better in Northern Ireland and on a combined UK/Ireland basis. An increasing number of clients are choosing to procure services on a UK/Ireland basis leaving the Resource Group and Noonan at a material competitive disadvantage when bidding against the numerous and larger companies in the sector. The proposed transaction will enable Noonan to seek to provide services more effectively across the two jurisdictions.”

Third Party Submissions

9. No submission was received.

Competitive Analysis

10. The Authority defines markets to the extent necessary depending on the particular circumstances of a given case. In this instance, it is not necessary for the Authority to define precise relevant markets.
11. There is a horizontal overlap between Noonan and the Target Assets in the State for the provision of facility management services. Facility management encompasses a wide range of services, including project management, energy management, procurement, building maintenance, environmental management, security, cleaning, grounds work, landscaping, environmental, pest management, energy and consultancy.

12. Specifically within facility management, there is overlap between Noonan and the Target Assets in the State for the provision of the following four services:
- cleaning services;
 - security services;
 - catering services; and
 - ancillary services.

Cleaning Services

13. Noonan's cleaning services include rope access cleaning, industrial cleaning, training and consultancy. The Target Assets' cleaning services include window cleaning, road cleaning, carpet cleaning and maintenance.
14. In the notification, Noonan estimates that the market for cleaning services in the State was valued at €460 million in 2013. Noonan also estimates that its market share for cleaning services in the State is [10-20]% while the Target Assets have an estimated market share of [0-10]%.¹
15. Post-transaction, Noonan will have an estimated [10-20]% share in the provision of cleaning services in the State. Noonan will continue to face competition from a wide range of competitors in the State including ISS Facility Services, Aramark and Momentum Support. In the notification, the parties list 29 competing suppliers of cleaning services active in the State.
16. Given the small accretion in Noonan's market share following the proposed transaction and the large number of competitors, the Authority considers that the proposed transaction will not substantially lessen competition in the provision of cleaning services in the State.

Security Services

17. Noonan's security services include manned guarding, key holding, mobile response, electronic security systems, monitoring, crisis prevention and training and consultancy. The Target Assets include security contracts which cover the provision of manned guarding services.
18. In the notification, Noonan estimates that the market for security services in the State was valued at €400 million in 2013. Noonan also estimates that its market share for security services in the State is [0-

¹ Noonan informed the Authority that it used two data sources to allocate facility management revenues between cleaning services, security services, catering services, and ancillary services: (a) Noonan examined its existing customers' facility management expenditure to estimate expenditure by cleaning services, security services, catering services, and ancillary services; and (b) Noonan commissioned [...] to carry out a report in [...] to calculate the size of the facility management sector in the State. Noonan then used its knowledge of the facility management sector to extrapolate an estimate for 2013 for each of cleaning services, security services, catering services, and ancillary services. The Authority has no reason to doubt the veracity of the market share estimates provided by the parties.

10]% while the Target Assets have an estimated market share of [0-10]%.²

19. Post-transaction, Noonan will have an estimated [10-20]% share in the provision of security services in the State. Noonan will continue to face competition from a wide range of competitors in the State including G4S Secure Solutions, Securitas and Top Security. In the notification, the parties list 20 competing suppliers of security services active in the State.
20. Given the small accretion in Noonan's market share following the proposed transaction and the large number of competitors, the Authority considers that the proposed transaction will not substantially lessen competition in the provision of security services in the State.

Catering Services

21. Noonan provides food services to a small number of customers in the State. The Target Assets include a small number of contracts for the provision of catering services to customers in both the private and public sectors.
22. In the notification, Noonan estimates that the market for food services in the State was valued at €550 million in 2013. Noonan also estimates that its market share for food services in the State is [0-10]% while the Target Assets have an estimated market share of [0-10]%.³
23. Given the negligible market shares of both Noonan and the Target Assets, the Authority considers that the proposed transaction will not substantially lessen competition in the provision of food services in the State.

Ancillary Services

24. Noonan provides a number of ancillary services such as janitorial supply, landscaping, pest management, environmental inspections, receptionists and health & safety officers. The Target Assets provide a small number of ancillary services including janitorial supply, waste management and feminine hygiene.
25. In the notification, Noonan estimates that the market for ancillary services in the State was valued at €440 million in 2013. Noonan also estimates that its market share for ancillary services in the State is [0-10]% while the Target Assets have an estimated market share of [0-10]%.⁴
26. Post-transaction, Noonan will have an estimated [0-10]% share in the provision of ancillary services in the State. The parties state in the notification that there are a wide range of competitors providing ancillary services in the State such as Aramark, ISS Ireland, G4S Secure Solutions and MITIE and specialist competitors in specific areas such as, for example, landscaping and pest control.

² See footnote 1.

³ See footnote 1.

⁴ See footnote 1.

27. Given the negligible accretion in Noonan's market share post-transaction, the Authority considers that the proposed transaction will not substantially lessen competition in the provision of ancillary services in the State. Furthermore, the Authority's conclusions would remain unchanged if ancillary services were considered on an individual basis (e.g., janitorial supply, etc).

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 Noonan Services Group Limited and Noonan Services Group (NI) Limited would acquire sole control of the business and assets of Resource Facilities Support Limited, Resource (NI) Limited and Resource Services Group Limited will not be to substantially lessen competition in any market 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