



DETERMINATION OF MERGER NOTIFICATION M/13/008 - LDC (PIMCO) / NRS HEALTHCARE

Section 21 of the Competition Act 2002

Proposed acquisition by Lloyds Development Capital (Holdings) Limited through PIMCO 2927 Limited of Nottingham Rehab Limited and NRS Mobility Care Limited

Dated 17 April 2013

Introduction

1. On 19 March 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 Lloyds Development Capital (Holdings) Limited ("LDC"), through PIMCO 2927 Limited ("PIMCO"), would acquire Nottingham Rehab Limited and its wholly owned subsidiary NRS Mobility Care Limited (together "NRS Healthcare").

The Undertakings involved

The Acquirer

2. LDC is a private equity specialist, focusing on management buyouts, institutional buyouts and development capital transactions, operating predominantly across the United Kingdom through a network of regional offices and with its head office in London. LDC invests across a broad range of sectors although it has particular experience in construction and property, financial services, healthcare industrials, IT and software, leisure and media, retail and consumer and support services.
3. LDC is a wholly owned subsidiary of Lloyds Banking Group plc ("Lloyds"), which offers a full range of financial services, including retail and wholesale banking, insurance and investment management services. For the financial year ending 31 December 2012, Lloyds had a worldwide turnover of STG£18.75 billion (c. €21.69 billion) and a turnover in the State of £[...] million (c. €[...] million).

4. The parties state that while LDC is a wholly owned subsidiary of Lloyds, it operates as a stand-alone business and conducts its investments separately and without influence from the operations of the wider Lloyds group of companies.
5. Audited financial accounts for LDC for 2012 are not yet available but according to LDC's Annual Report and Accounts for 2011, it had a worldwide turnover of STG£[...] million (c. €[...] million). According to LDC it recorded no turnover in the State for each of the 2011 and 2012 financial years.

The Newco / Acquisition Vehicle

6. PIMCO is a shelf company, whose shares are to be owned at completion of the proposed transaction by LDC and four existing managers of NRS Healthcare: Philip Isherwood, John Makin, Stephen Kennedy and James O'Connell ("the Managers").
7. The parties state that they have submitted the notification on an 'abundance of caution' basis, mainly because LDC will hold not only [...] of the voting rights in PIMCO but also [...] financial interest through the holding of A Ordinary Shares and loan notes. In addition to the rights normally attached to its shares, LDC will have additional strategic functions with regard to the management of PIMCO, which will include:
[...]
8. [...]

The Target

9. NRS Healthcare is the trading name of Nottingham Rehab Limited, including its wholly owned subsidiary NRS Mobility Care Limited. Nottingham Rehab Limited is currently a wholly owned subsidiary company of Findel plc. NRS Healthcare employs around 500 employees from its head office in Bardon, Leicestershire and various other sites in the United Kingdom.
10. NRS Healthcare is a UK based provider of equipment, supplies and services to persons with a disability and/or rehabilitation needs. NRS Healthcare supplies daily living and mobility aids, such as wheelchairs, walking frames and bathlifts. NRS Healthcare also offers product

delivery, repair and maintenance and home modification services to cater for the particular needs of persons with a disability and/or rehabilitation needs. It contracts primarily with local authorities and primary care trusts in the United Kingdom.

11. In terms of activities within the island of Ireland, NRS Healthcare operates one contract with Northern Ireland Health and Social Services. It operates from a single leased facility, consisting of two units (4C and 4C1) in Blaris Industrial Estate in Lisburn, County Antrim, Northern Ireland. NRS Healthcare's activities in Northern Ireland involve coordinating sales, distribution and maintenance obligations under public contract for the supply of wheelchairs / mobility aids and that is due to terminate in 2016.
12. According to the parties, NRS Healthcare does not actively market its products and services in the State and for the financial year ended 30 March 2012, of NRS Healthcare's worldwide turnover of STG£76.7 million (c. €88.9 million), only £132,000 (c. €152,950) related to sales and services to customers located in the State¹.

The Acquisition

13. The proposed transaction involves a management buy-out of NRS Healthcare by four of its managers, backed by funds managed by LDC.
14. PIMCO is a shelf company, all of whose shares are to be owned at completion of the proposed transaction by LDC and the four managers. The proposed transaction involves the acquisition by PIMCO of all the shares and therefore sole control of NRS Healthcare from Findel plc. The consideration for the purchase of the shares will be £22.57 million, subject to a potential adjustment in relation to pension issues.

Rationale for the Proposed Acquisition

15. According to the parties the proposed transaction represents a strategic opportunity for LDC to invest in an established company in the healthcare sector with significant potential for growth. Growth drivers in this sector include the current and expected increase in the UK population over 70 and an increasing realisation of the economic

¹ Turnover in the State generated from internet sales and a distributor agreement entered into in 2010 with Beechfield Healthcare Limited. The agreement was initially for a two year period and has since been terminated.

and social benefits of supporting people staying in their homes longer (rather than being provided with more expensive residential care). LDC intends to stimulate growth and increased profitability for NRS Healthcare which will in turn grow the value of LDC's investment in the proposed transaction.

Third Party Submissions

16. No submission was received.

Analysis

17. NRS Healthcare is active in the provision of products and services to persons with disability and rehabilitation needs and the vast majority of its contracts are with customers located in the United Kingdom. More specifically, the majority of NRS Healthcare's business can be classified as community healthcare services, with contracts (approximately 82% in 2012) with primary care trusts and local authorities in the United Kingdom.
18. NRS Healthcare has one contract with Northern Ireland Health and Social Services for the supply of wheelchairs / mobility aids. NRS Healthcare operates from a single leased facility in Lisburn, County Antrim, Northern Ireland, from where it fulfils its sales, distribution and maintenance obligations under the public contract. Both the public contract and lease agreement on the premises are due to terminate in 2016.
19. NRS Healthcare has no physical presence in the State, it does not actively market any of its goods and/or services in the State and it makes only a *de minimus* level of sales to customers located in the State with less than 0.2% of its annual turnover for 2011 generated in the State.
20. LDC is a private equity investment company; Lloyds is a financial services company. Neither is active in the provision of any products and/or services to persons with disability or rehabilitation needs, or of community healthcare services for that matter. The parties state that LDC is operated separately from Lloyds even though it is a wholly-owned subsidiary, but add as follows: "However, for the purposes of this notification, LDC has confirmed that no entity within the wider

Lloyds group has an interest of 20% or more in any of: (i) the top nine competitors of NRS Healthcare... (ii) the top ten suppliers of NRS Healthcare; or (iii) any customer of NRS Healthcare with material purchase volumes (the vast majority of NRS Healthcare's customers are public sector entities)."²

21. In light of the above, the Authority considers that the proposed transaction will not raise any substantial competition concerns in any market for goods or services in the State.

Ancillary Restraints

22. The agreement between the parties includes a 24-month non-compete and non-solicitation clause to be complied with by Findel plc in respect of the business and activities of NRS Healthcare. According to the parties such a restriction is necessary in order to protect the customer loyalty, know-how and goodwill transferred together with NRS Healthcare (which was previously wholly owned by the Findel group). The Authority considers the restriction to be directly related and necessary to the implementation of the proposed transaction.

² Paragraph 4.1 of the Merger Notification Form

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 transaction whereby Lloyds Development Capital (Holdings) Limited, through PIMCO 2927 Limited, would acquire Nottingham Rehab Limited and its wholly owned subsidiary NRS Mobility Care 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