



DETERMINATION OF MERGER NOTIFICATION M/06/029 – QUANTUM/ ADIC

Section 21 of the Competition Act 2002

Proposed acquisition by Quantum Corporation of Advanced Digital Information Corporation

Dated 29 June 2006

Introduction

1. On 2 June 2006 the Competition Authority (“the Authority”), in accordance with Section 18 (1) of the Competition Act, 2002 (“the Act”) was notified, on a mandatory basis, of a proposal whereby Quantum Corporation (“Quantum”) would indirectly acquire Advanced Digital Information Corporation (“ADIC”).

The Undertakings Involved

2. Quantum, the acquirer, is a public company registered in the United States and is listed on the New York Stock Exchange. The acquirer is active, *inter alia*, in the world-wide manufacture and sale of electronic data storage solutions, including tape-based and disk-based data storage equipment designed for computer back-up, recovery and archive solutions needs of customers (“BURA systems”) world-wide.
3. In 2005, the acquirer was active only in the provision of tape-based BURA systems in the State which it sold to large original equipment manufacturers (“OEMS” or “resellers”). Resellers in the State sell the acquirer’s products under their own brand names and, generally, sell the re-branded products to end-users outside the State. The resellers also compete with the acquirer downstream in the BURA system end-user markets. Approximately between 75%-100% of the acquirer’s sales of tape-based BURA systems in the State were sold to fewer than five resellers as part of a global supply contract with each reseller. Within tape-based BURA systems, the acquirer’s product offerings are focused on the low-end segment.
4. For the year ending 31 March 2005, Quantum achieved world-wide consolidated revenues between €100-200million. From 01 January 2004 to 31 December 2004, Quantum generated revenues of approximately €150-€200 million in the EU. This figure includes revenue of between €25-€75million in the State of which approximately between €5-€20 million derives from sales of tape-based BURA systems.
5. ADIC, the target, is a company registered in the United States and is also, *inter alia*, a world-wide supplier of BURA systems.

6. Like the acquirer, the target is only active in the provision of tape-based BURA systems, however, the target's product offerings within tape-based BURA systems, generally, focuses on higher-end BURA systems. Approximately between 75%-100% of the target's sales of tape-based BURA systems in the State in 2005 were sold to fewer than five resellers as part of a global supply contract with each reseller.
7. For the year ending 31 October 2005, ADIC's world-wide consolidated turnover was approximately €365million. From 01 January 2004 to 31 December 2004, ADIC generated revenues of approximately between €50-€100million in the EU of which between €5-€20million derived from its activities in the State.

Analysis

8. The activities of the undertakings involved overlap horizontally in the provision of BURA systems, in particular, tape-based BURA systems in the State. Customers of tape-based BURA systems select their tape-based BURA supplier on the basis of a wide range of factors, including but not limited to, speed, capacity, reliability and price. The acquirer's products, however, are focused on low-end tape-based BURA systems unlike the tape-based BURA systems offered by the target. Switching between manufacturers of tape-based BURA systems is common as most tape-based BURA systems products can be 'scaled-up' or 'scaled-down' to meet the end-user's storage/capacity requirements.
9. Substantially all of both the acquirer's and the target's sales in the State are made to fewer than five large resellers pursuant to global supply agreements. These sales amount to less than 5% of sales world-wide of tape-based BURA systems by the undertakings involved.
10. The undertakings involved have estimated the merged entity's post-merger world-wide share of the BURA systems sector at less than 15% based on sales of BURA systems. Other providers of BURA systems, include Hewlett Packard, Sony, Sun (StorageTek), IBM, Overland Storage and EMC, all of which may supply their BURA systems in the State. The undertakings involved have submitted that there are in excess of 15 BURA systems providers world-wide.
11. Tape-based BURA systems sales are generally declining with end-users opting for disk-based BURA systems. Both the parties are active in the manufacture and sale of disk-based BURA systems and compete with other manufacturers of disk-based BURA systems. Disk-based BURA systems are generally gaining in sales from but not ultimately displacing the need for tape-based BURA systems.
12. The Authority has concluded that no competition concerns arise. Given the small number of large customers (resellers) supplied by the undertakings involved in the State, the global dimension of the BURA systems sector, the large number of alternative suppliers of BURA systems (including tape-based BURA systems) both in and into the State available to resellers and end-users post-merger and the relative ease and frequency of switching between BURA systems suppliers by resellers and end-users.

13. A vertical overlap in activities occurs in relation to the supply by the acquirer of tape drives and media cartridges to the target pursuant to a non-exclusive purchase agreement. The sales of tape drives and media cartridges to the target by the acquirer represent between 0%-5% of the acquirers world-wide sales. The Competition Authority has concluded that no competition concerns arise in this regard.

Determination

The Competition Authority, in accordance with Section 21(2) of the Competition Act, 2002, has determined that, in its opinion, the result of the proposed acquisition by Quantum Corporation of Advanced Digital Information Corporation 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

Dr. Paul K. Gorecki
Member of the Competition Authority