



DETERMINATION OF MERGER NOTIFICATION M/19/043 – ARKPHIRE / TRILOGY

Section 21 of the Competition Act 2002

Proposed acquisition of the entire issued share capital of Trilogy Technologies Group Limited by Arkphire Group Limited.

Dated 30 January 2020

Introduction

1. On 17 December 2019, in accordance with section 18(1) (a) of the Competition Act 2002, as amended (the “Act”), the Competition and Consumer Protection Commission (the “Commission”) received a notification of a proposed acquisition, whereby Arkphire Group Limited (“Arkphire”) would acquire the entire issued share capital and thus sole control of Trilogy Technologies Group Limited (“Trilogy”) (together, the “Parties”) (the “Proposed Transaction”).

The Proposed Transaction

2. The Proposed Transaction is to be implemented pursuant to a Share Purchase Agreement dated 13 December 2019 between Edel Creely, Arthur Griffin, John Casey and Domaleo Investments Limited¹ (the “Vendors”), Arkphire and Vulcan Bidco Limited² (“Vulcan”), a holding company which holds the issued share capital of Arkphire (the “SPA”).

¹ This is a private limited company registered in the State.

² The entire issued share capital of Arkphire is held by Vulcan, a holding company registered in the State.



The Undertakings Involved

The Acquirer – Arkphire

3. Arkphire is a private limited company incorporated in the State and has offices in London, Dublin, and Castlebar, Co. Mayo.
4. Arkphire is involved in the supply of Information Technology (“IT”) hardware products. Arkphire also supplies IT consulting and managed services to customers in Europe, the Middle East and Africa (EMEA) and the Asian Pacific Continent (APAC).
5. The entire issued share capital of Arkphire is held by Vulcan, whose entire issued share capital is in turn held by the following entities and individual:
 - IIAI Limited³,
 - Milestone Investments S.A.R.L⁴, and,
 - Paschal Naylor.
6. Milestone Investments S.A.R.L is part of Bregal Milestone LLP (“BM LLP”), a limited liability partnership incorporated in England and Wales. BM LLP is the advisor of Bregal Milestone LP, a private equity fund registered in Jersey, the ultimate beneficial owner of which is Genossenschaft Constanter, a Swiss charitable co-operative. The ultimate parent of BM LLP is COFRA Holding AG, an asset management firm based in Switzerland.
7. COFRA Holding AG holds investments in companies in the following industries that are active in the State: household durables, construction and engineering, beverages, aerospace and defence, specialty retail, commercial services and supplies, chemicals, leisure activities and, in relation to Arkphire only, IT services.

³ IIAI Limited is a private limited company registered in the State.

⁴ BM LLP is registered with the United Kingdom Companies House under company number OC421575 and registered office at Michelin House, 81 Fulham Road, London SW3 6RD.



8. For the financial year ending 31 October 2019, BM LLP's worldwide turnover was €[...], of which approximately €[...] (including Arkphire's turnover) was generated in the State.
9. For the financial year ending 31 October 2019, Arkphire's worldwide turnover was €[...], of which approximately €[...] was generated in the State.

The Target Company – Trilogy

10. Trilogy is a private limited company with its registered office in Dublin. Trilogy is involved in the supply of IT consulting and managed services in the State and in the United Kingdom.
11. The entire issued share capital of Trilogy is held by the following individuals and entity:
 - Edel Creely,
 - Arthur Griffin,
 - John Casey, and
 - Domaleo Investments Limited.⁵
12. For the financial year ending 31 December 2018, Trilogy's worldwide turnover was €[...], of which €[...] was generated in the State.

Rationale for the Proposed Transaction

13. The Parties state the following in the notification:

“The Proposed Transaction will allow Arkphire to expand IT outsourcing services while adding knowledge and experience to the management team.”

Third Party Submissions

14. The Commission was contacted by the legal representative of a third party who indicated that they intended to make a third party submission. The Commission granted them an extended period to make their submission. However, no submission was received by the Commission within that specified period.

⁵ Domaleo Investments Limited is registered with the Companies Registration Office under company number 516465.



Competitive Analysis

Horizontal Overlap

15. There is a horizontal overlap between the activities of the Parties in the State. Both Arkphire and Trilogy are active in the supply of IT consultancy services and the supply of IT outsourcing services in the State.

The supply of IT consultancy services

16. The supply of IT consultancy services across all industry sectors can be categorised into the following activities:
- IT consultancy services related to enterprise infrastructure and solutions - this refers to the concept of IT resources and data that are shared across an enterprise and includes infrastructure engineering for building, managing, and evolving shared IT;
 - IT consultancy services related to computer storage systems – this refers to the various devices and equipment whose function is to store and protect data on a computer network and computer storage;
 - IT consultancy services related to enterprise network systems (hardware and software) – this includes the hardware and software used to interface and link equipment (including computers and devices) with applications and databases. Enterprise network allows business users, regardless of location, to pass and share information within a corporate environment;
 - IT consultancy services related to enterprise security solutions – this refers to the various devices and equipment whose function is to protect and secure data in the various components of a computer system. These solutions include backup and recovery solutions, big data solutions, cloud, content management, data protection as well as document imaging and infrastructure management; and,



- IT consultancy services related to IT cloud subscription services – this refers to subscription to providers of public cloud, for instance, *Microsoft Office 365*.

The supply of IT outsourcing services

17. The supply of IT outsourcing services across all industry sectors can be categorised into the following activities:

- Outsourcing of public cloud computing services;
- Outsourcing of infrastructure as a service ("IaaS");
- Outsourcing of infrastructure including:
 - data centre services;
 - network outsourcing;
 - end-user device outsourcing;
 - help desk outsourcing and,
- Application outsourcing services.

The supply of IT hardware products

18. The following are the categories of IT hardware products Arkphire ships to its customers:

- End-user computing equipment including desktops, workstations, laptops, notebooks and tablets, 'thin clients' (i.e. a computer that runs from resources stored on a central server instead of a localized hard drive) and computing accessories and peripherals;
- Network solutions equipment including network servers, network security devices, switches, routers, modems, interface adaptors, and network accessories;



- Audiovisual equipment including video conferencing systems, conference and speaker phones, VoIP phones and systems, ISDN/analogue phones, projectors, monitors, and audiovisual accessories; and
- Apple Equipment (Arkphire is an Apple Authorised Enterprise Reseller).

Product Market Definition

19. The European Commission and the Commission have considered the market for the supply of IT consultancy services in a number of determinations to date.
20. In its decision in M.5301 - CAP GEMINI/ Bas, the European Commission did not conclude on the precise relevant product markets and considered both broader markets (all IT services) and narrower markets (including IT consulting) in its competitive assessment of that transaction.⁶
21. In its Determination in M/15/037 Deloitte/System Dynamics, the Commission reviewed the competitive impact of the proposed transaction on the market for the provision of IT consultancy services in the State since there was a horizontal overlap between the parties in the provision of IT consultancy services.⁷
22. In its Determination in M/18/087– Fruition Partners (DXC)/TESM the Commission considered that there was a horizontal overlap between the parties in the provision of IT consultancy services in the State.⁸ In particular, both DXC Technology Company and TESM Limited were active in the design, implementation and automation of service management processes through the use of IT Service Management (ITSM) platforms. Therefore, the Commission reviewed the competitive impact of that proposed Transaction by reference to the following three potential markets: (i) the provision of IT consultancy services in the State; (ii) the provision of IT consultancy services in relation to ITSM platforms in the State; and, (iii) the provision of IT consultancy services in

⁶ See paras 15-16 of the European Commission's public decision is available to download from the European Commission's website at: https://ec.europa.eu/competition/mergers/cases/decisions/m5301_20081013_20310_en.pdf

⁷ The public determination is available to download from the Commission's website at: <https://www.cccp.ie/business/mergers-acquisitions/merger-notifications/m15037-deloitte-system-dynamics/>

⁸ The public determination is available to download from the Commission's website at:



relation to the specific ITSM platform leading to the overlap between the parties (i.e. 'ServiceNow') in the State.

23. In previous decisions, the European Commission considered a segment of the IT services market that encompasses IT outsourcing (formerly referred to as "IT management"). The European Commission considered that IT outsourcing could be segmented between (i) public cloud computing services, (ii) infrastructure as a service ("IaaS"), (iii) infrastructure outsourcing services (including potential further sub-segments for data centre services, network outsourcing, end-user device outsourcing, and help desk outsourcing), and (iv) application outsourcing services. However, the European Commission ultimately left the product market definition open.⁹
24. The Commission and the European Commission have also considered the market for the supply of IT hardware products in a number of their determinations to date. In its determination in M/17/063 – Arrow/Commtech, the CCPC did not come to a definitive view on the precise relevant product market, since it considered that its conclusion on the likely competitive impact of the proposed transaction would be unaffected whether the precise relevant product market was either broad, to include the wholesale distribution of all IT hardware products, or narrow, by segments of IT hardware products.¹⁰
25. In its determination in M. 8248 - Tech Data/Avnet's Technology, the European Commission also left the precise product market open and stated that "Further distinctions between different (IT) product categories or different sales channels have been considered but left open".¹¹
26. The Commission defines markets to the extent necessary depending on the particular circumstances of a given case. In this instance, it is not necessary for the Commission to

9 Commission Decisions in M.8994 - Microsoft / Github, M. 8180 - Verizon/Yahoo, Case M.7458 IBM/INF Business of Deutsche Lufthansa and M.6921 IBM Italia/UBIS.

10 The Commission's determination in M/17/063 Arrow/Commtech can be accessed at: <https://www.ccpc.ie/business/mergers-acquisitions/merger-notifications/m17063-arrowcommtech/>

11 Please see paragraph 10 of the European Commission's determination in M. 8248 - Tech Data/Avnet's Technology which can be accessed at:

http://ec.europa.eu/competition/mergers/cases/decisions/m8248_659_3.pdf



define the precise relevant product market since its conclusion on the competitive impact of the Proposed Transaction will be unaffected whether the relevant market is defined narrowly or broadly. For the purposes of assessing whether the Proposed Transaction might result in a substantial lessening of competition, the Commission has analysed the likely effects of the Proposed Transaction with reference to: (i) the market for the supply of IT consulting services; (ii) the market for the supply of IT outsourcing services and, (iii) the market for the supply of IT hardware products.

Geographic market definition

27. The Commission and the European Commission have previously left the precise geographic market definition for the provision of IT consultancy services open but have considered geographic market definitions based on the European Economic Area (“EEA”), regional and national markets.¹²
28. Following the approaches taken by the Commission and the European Commission to date, the Commission has analysed the likely competitive impact of the Proposed Transaction by reference to the narrowest potential geographic market, i.e., the State.

Competitive assessment

29. Regarding the market for the supply of IT consultancy services in the State, Table 1 shows that the Proposed Transaction will result in a *de minimis* increment in the market share of Arkphire by approximately [0-10%]. Following the Proposed Transaction, Arkphire will have an approximately [0-10%] share in the supply of IT consultancy services in the State.

¹² The Commission’s determination M/15/037 Deloitte/Systems Dynamics can be accessed at:

https://www.cpc.ie/business/wp-content/uploads/sites/3/2017/04/M_15_037-Deloitte_SystemDynamics_Public-Version.pdf

The European Commission Decision in Case No COMP/M.5301 - CAP GEMINI / BAS can be accessed at: http://ec.europa.eu/competition/mergers/cases/decisions/m5301_20081013_20310_en.pdf



Table1: Main suppliers of IT consultancy services in the State¹³:

Competitor	Estimated Market Share
Arkphire	[0-10%]
Trilogy	[0-10%]
IBM	[...]
HP Enterprise	
Deloitte	
Accenture	
EY	
PWC	
KPMG	
BT	
Logicalis	[0-10%]

Source: Parties' estimates based on market research provided by Gartner Inc.¹⁴

¹³ The Parties estimate that the overall market for IT consultancy services in the State (including business consultancy related to IT and applications development) was worth €[...] in 2018. This estimate is based on Gartner estimates.

¹⁴ Gartner Inc. is a research and advisory company which specialises in the IT sector. More information on Gartner Inc. is available from the company's website at: www.gartner.com



Table 2: Main suppliers of IT outsourcing services in the State¹⁵:

Competitor	Estimated Market Share
Arkphire	[0-10%]
Trilogy	[0-10%]
Ergo	[0-10%]
PFH	[0-10%]
Evros	[0-10%]
Asystec	[0-10%]
Logicalis	[0-10%]

Source: Parties' estimates based on market research provided by Gartner Inc.

30. Table 2 shows that the Proposed Transaction will result in a *de minimis* increment in the market position of Arkphire in the supply of IT outsourcing services in the State of approximately [0-10%]. Following completion of the Proposed Transaction, Arkphire will have a market share of [0-10%] in the supply of IT outsourcing services in the State. The Parties estimate¹⁶ that the overall market for IT outsourcing services in the State was worth €[...] in 2018.

31. The Parties informed the Commission that the IT outsourcing services sector in the State is fragmented and is characterised by numerous local and international large and small

¹⁵ The Parties estimate that the overall market for IT outsourcing services in the State was worth €[...] in 2018. This estimate is based on Gartner Inc.'s estimates.

¹⁶ The Parties' estimate is based on Gartner Inc. estimates.



competitors who compete in various segments in the supply of IT services.¹⁷ Although companies have traditionally been satisfied with the vast majority of their IT service requirements in-house, this is changing as companies have started to look to external providers with a view to reducing costs and taking advantage of external expertise. As a result, the sector is currently experiencing growth at aggressive levels. Furthermore, the Parties submitted that customers can easily switch suppliers by carrying out competitive tendering processes.

Table 3: Main suppliers of IT hardware products in the State:

Competitor	Estimated Market Share
Arkphire	[0-10%]
Trilogy	[0-10%]
Ergo	[0-10%]
BT	The Parties were unable to provide market share estimates for these providers
IT Quotes	
System Video	[0-10%]

Source: Parties' own estimates

The Parties estimate that the market for IT hardware and devices in the State was worth €[...] in 2018. This estimate is based on data from Gartner Inc. and International Data Corporation.¹⁸ Arkphire generated €[...] turnover from the sale of IT hardware products in 2018. Approximately [...] % of this was generated from sales to customers in the State (i.e. €[...]). Therefore, the Parties estimate that Arkphire's market share on the market for the supply of IT hardware products in the State is approximately [...] %. Trilogy generated €[...] from the sale of IT hardware products in 2018. Trilogy's market share for the supply of IT hardware products in the State is approximately [...] %. Therefore, the Proposed Transaction will result in a *de minimis* increment in the market position of Arkphire on the market for the supply of IT hardware products in the State.

¹⁷ A search of IT outsourcing service providers lists 78 companies operating in the State: <https://ie.kompass.com/a/information-technology-it-outsourcing-services/57790/>

¹⁸ IDC is a provider of market intelligence, advisory services, and events for the information technology, telecommunications, and consumer technology sectors.



32. In light of the above, the Commission considers that the Proposed Transaction does not raise any horizontal competition concerns in any product market in the State.

Vertical Relationship

33. Neither Arkphire nor Trilogy currently supply any goods or services to each other. There is a potential vertical relationship between Arkphire and Trilogy as Arkphire is involved in the supply of IT hardware products, which is an upstream input for providing IT consulting services and IT outsourcing services. However, as previously discussed, Arkphire and Trilogy's estimated market shares are minimal on the relevant markets.
34. In light of the above, the Commission considers that the Proposed Transaction does not raise any vertical competition concerns in the State.

Conclusion

35. In light of the above, the Commission considers that the Proposed Transaction will not substantially lessen competition in any market for goods or services in the State.

Ancillary Restraints

36. The SPA contains non-compete and non-solicitation obligations[...]. The duration of these non-compete and non-solicitation obligations does not exceed the maximum duration acceptable to the Commission. The Commission considers these non-compete and non-solicitation obligations to be directly related to and necessary for the implementation of the Proposed Transaction insofar as they relate to the State.



Determination

The Competition and Consumer Protection Commission, in accordance with section 21(2)(a) of the Competition Act 2002, as amended, has determined that, in its opinion, the result of the proposed acquisition whereby Arkphire Group Limited would acquire the entire issued share capital and thus sole control of Trilogy Technologies 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 and Consumer Protection Commission

Brian McHugh

Member

Competition and Consumer Protection Commission