



DETERMINATION OF MERGER NOTIFICATION M/22/032 – CATHEXIS IRELAND/JONES ENGINEERING

Section 21 of the Competition Act 2002

Proposed acquisition by Cathexis Ireland II Limited of Jones Engineering Holdings International Limited

Dated: 30 August 2022

Introduction

1. On 20 July 2022, 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 Cathexis Ireland II Limited (“Cathexis”), an indirect wholly-owned subsidiary of Cathexis PR IV LLC,¹ would acquire the entire issued share capital, and thus sole control, of Jones Engineering Holdings International Limited (“Jones”) (the “Proposed Transaction”).

The Proposed Transaction

2. The Proposed Transaction is to be implemented pursuant to a share purchase agreement dated 2 June 2022 between (i) Ekco Limited, Astogo Holdings Unlimited Company, and Uiscebhealaí Limited (together, the “Sellers”); (ii) Cathexis; and (iii) Cathexis Legacy Holdings LLC and Cathexis Holdings LP (the “SPA”).
3. Pursuant to the SPA, Cathexis will acquire the entire issued share capital, and thus sole control, of Jones. Following completion of the Proposed Transaction, it is envisaged that Cathexis UK Holdings IV Limited would own a majority stake in Cathexis, [...].²

¹ [...]

² [...]



The Undertakings Involved

The Acquirer – Cathexis Group

4. Cathexis is a private company limited by shares incorporated in the State. The Cathexis Group, of which Cathexis is a part, is an investment group which invests in a wide range of industries around the world.³ The Cathexis Group owns and controls L. Lynch and Co Limited (“Leo Lynch”).⁴ The Cathexis Group also controls ISG Limited⁵ and ESS Modular Limited (“ESS”)⁶ which are both currently active in the State. The Cathexis Group does not currently have any other business activities in the State.
5. Leo Lynch provides high-specification engineering services in the State, primarily to clients in the following sectors: (i) life sciences (biotechnology and pharmaceuticals), (ii) microelectronics, (iii) healthcare, and (iv) food and medical technology. In particular, Leo Lynch provides the following types of engineering services in the State:
 - i. Process engineering services, which include: production line installation,⁷ air purification systems⁸ and chemicals management;⁹ and

³ For more information, please see: <https://www.cathexis.com/>

⁴ On 20 June 2022, the Commission made a determination pursuant to section 21(2)(a) of the Act that a proposed transaction whereby Cathexis Holdings LP would acquire the entire issued share capital and thus sole control of Leo Lynch may be put into effect. That proposed transaction had been notified to the Commission in accordance with section 18(1)(a) of the Act on 3 June 2022 under case number M/22/028 *Cathexis Holdings/Leo Lynch Engineering*. For more information, please see: <https://www.ccpc.ie/business/mergers-acquisitions/merger-notifications/m-22-028-cathexis-holdings-leo-lynch-engineering/>.

⁵ For more information, please see: <https://www.isgltd.com/>

⁶ For more information, please see: <https://www.essltd.ie/>

⁷ Production line installation is a generic description for a multitude of different engineering services required in a production line the natures of which are solely dependent on the product and the associated production process.

⁸ Air purification systems is a general term associated with the air handling systems required to support production facilities. The specific requirements are dependent on the product and the associated production process.

⁹ Chemicals management” is a generic description for a range of different services which are solely dependent on the product and the associated production process.



- ii. Mechanical engineering services, which include: industrial and commercial HVAC systems,¹⁰ plumbing,¹¹ mechanical plant and equipment,¹² and water management systems.¹³
6. Leo Lynch provides engineering services from three locations in the State: (i) 16 Fonthill Industrial Park, Fonthill Road, Clondalkin, Dublin 22; (ii) 13 Alder Road, Tougher Industrial Park, Newbridge, Co. Kildare; and (iii) Clinstown, Jenkinstown, Co. Kilkenny.
7. ISG is a 'fit-out',¹⁴ construction, engineering and technology services company operating in a number of different sectors. It is headquartered in the UK, and is active in a number of jurisdictions around the world. ISG provides construction management services¹⁵ in the State, where its activities are limited to services to construct logistics and distribution centres.
8. ESS is a modular services¹⁶ provider active in the State. ESS manufactures steel-framed volumetric units and cabins for sale and hire in the State and in the UK.
9. For the financial year ending 31 December 2021, the Cathexis Group generated a worldwide turnover of €[...], of which €[...] was generated in the State.
10. For the financial year ending 31 December 2021, Leo Lynch generated a worldwide turnover of €[...], all of which was generated in the State.

The Target – Jones

¹⁰ 'HVAC systems' is an abbreviation for 'heating, ventilation and air conditioning systems' which vary widely depending on the application.

¹¹ Plumbing refers to all services associated with domestic services (e.g. hot and cold water plumbing systems) and includes associated waste streams.

¹² 'Mechanical plant and equipment' is a term associated with plant equipment such as boilers, chillers, fan coil units, heat pumps, pumps, fire dampers, controls, water storage tanks and calorifiers.

¹³ Water resources management is the process of planning, developing, and managing water resources, in terms of both water quantity and quality, across all water uses.

¹⁴ 'Fit-out' refers to the process of making an interior space suitable for occupation.

¹⁵ Construction management services are the services provided to manage a construction project from start to finish: the provider of such services acts as the primary contractor to a client for a construction project, and then contracts with various construction service providers for each part of the construction project.

¹⁶ Modular construction is the manufacture and supply of building 'modules' which are manufactured in a factory environment, and then connected together on site to form the complete building.



11. Jones is a private company limited by shares incorporated in the State and is the parent company of a global group of engineering contracting companies which operate across a variety of sectors including: (i) life sciences, (ii) healthcare, (iii) food and beverage, and (iv) data-centre industries.¹⁷
12. Jones provides process, mechanical, electrical, and fire-protection engineering services in various jurisdictions around the world, including in the State.
13. In the State, Jones provides engineering services from the following four locations: (i) Damastown Industrial Estate, Mulhuddart, Dublin 15; (ii) Collinstown Industrial Estate, Leixlip, Co. Kildare; (iii) Bagenalstown Industrial Estate, Co. Carlow; and (iv) Euro Business Park, Little Island, Co. Cork.
14. For the financial year ending 31 December 2021, Jones generated a worldwide turnover of €[...] of which €[...] was generated in the State.

Rationale for the Proposed Transaction

15. The parties state the following in the notification:

“[...]”.

Third-Party Submissions

16. No third-party submissions were received.

Competitive Analysis

17. There is a horizontal overlap in the State between the parties in the provision of engineering services, specifically the provision of process engineering services and mechanical engineering services. There are also two potential vertical relationships in respect of the parties' business activities in the State that could arise following implementation of the Proposed Transaction: (i) ISG could potentially subcontract engineering services to Jones as part of its overall construction

¹⁷ For more information, please see: <https://joneseng.com/>



management services offering, and (ii) ESS could potentially subcontract engineering services to Jones as part of its overall modular construction services offering.

Horizontal Overlap

Relevant Product Market

18. In the notification, the parties state that, in the parties' view, the potential relevant product markets are: (i) the provision of engineering services, (ii) the provision of process engineering services, and (iii) the provision of mechanical engineering services.
19. The European Commission has previously considered the provision of engineering services in a number of merger decisions.¹⁸ In *Vinci Airports/Gatwick Airport*,¹⁹ and *Capgemini/Altran*,²⁰ the European Commission considered a potential segmentation within the provision of engineering services by the type of engineering service (e.g. mechanical, electrical, etc.) In both merger decisions, the European Commission ultimately left open the question of the precise relevant product market definition.
20. The Commission defines markets to the extent necessary depending on the particular circumstances of a given case. The Commission does not need to come to a definitive view on the precise relevant product market definition in this instance, since the Commission's assessment of the likely competitive effects of the Proposed Transaction will be unaffected whether the potential product market is defined narrowly (i.e. (i) the provision of process engineering services and (ii) the provision of mechanical engineering services) or more broadly (i.e. encompassing the provision of all types of engineering services).
21. In light of the above, the Commission has assessed the likely competitive impact of the Proposed Transaction by reference to the narrowest potential product markets, i.e.: (i) the provision of process engineering services, and (ii) the provision of mechanical engineering services.

¹⁸ See, for example: [Case M.8270 – EDF/CDC/RTE \(2017\)](#) (available in French only).

¹⁹ For more information, please see: [Case M.9270 – Vinci Airports/Gatwick Airport \(2019\)](#).

²⁰ For more information, please see: [Case M.9460 – Capgemini/Altran \(2019\)](#).



Relevant Geographic Market

22. In the notification, the parties state that, in their view, the relevant geographic market is the State, on the basis that both parties serve customers throughout the State. The parties also state in the notification that customers typically do not base their choice of engineering services provider on the location of the provider.
23. In *Capgemini/Altran*,²¹ the European Commission assessed the likely competitive impact of that transaction in the following potential geographic markets for the provision of engineering services: national, regional (Western Europe), EEA-wide, and global. In that decision, the European Commission ultimately left open the precise geographic market definition.
24. The Commission has found no reason to depart from the approach taken by the European Commission in its previous merger decision, where the narrowest geographic markets assessed by the European Commission were national in scope.
25. In light of the above, the Commission has assessed the likely competitive impact of the Proposed Transaction by reference to the State.

Conclusion on Market Definition

26. In light of the above, the Commission has assessed the likely competitive impact of the Proposed Transaction in the following potential markets: (i) the provision of process engineering services in the State; and, (ii) the provision of mechanical engineering services in the State

Competitive Assessment

The Provision of Process Engineering Services in the State

27. Table 1 below sets out estimated shares of turnover for the provision of process engineering services in the State in 2020 and 2021:

²¹ Ibid.



Table 1: Estimated shares of turnover for the provision of process engineering services in the State in 2020 and 2021.

Provider	Share of turnover 2021 (%)	Share of turnover 2020 (%)
Jones	10-20	10-20
Leo Lynch	0-5	0-5
Combined	10-20	10-20
Radley Engineering Limited (“Radley”)	10-20	5-10
BMD & Company Limited (“BMD”)	5-10	5-10
MSL Engineering Limited (“MSL”)	5-10	5-10
Kirby Group Engineering Unlimited Company (“Kirby”)	5-10	0-5
Suir Engineering Limited (“Suir”)	5-10	5-10
Dornan Engineering Limited (“Dornan”)	0-5	0-5
Mercury Engineering Unlimited Company (“Mercury”)	0-5	0-5
Specialist Technical Engineering Services Unlimited Company (“STS”)	0-5	0-5
Top 10 in Sector	60-70	60-70²²

Source: The parties’ estimates, based on information from Irish Construction News.²³

28. The Commission considers that the Proposed Transaction does not raise any horizontal competition concerns in relation to the provision of process engineering services in the State for the following reasons.

29. First, as set out in Table 1 above, following the implementation of the Proposed Transaction, the Cathexis Group will have an estimated share of turnover of only 10-20% in the provision of process engineering services in the State. Given that Leo Lynch had a share of turnover of only 0-5% of the provision of process engineering services in the State in 2021, the Commission

²² This figure also includes Lynskey Engineering Limited (0-5%), and does not include Mercury’s estimated share of 0-5%.

²³ The breakdown of competitor revenue for 2021 is based on figures from Irish Construction News ([July 2022 edition](#)), and the breakdown of competitor revenue for 2020 is based on figures from Irish Construction News (September 2021 edition).



considers that the Proposed Transaction will lead to a relatively small increase in the level of concentration in this sector in the State.²⁴

30. Second, as outlined in Table 1 above, following the implementation of the Proposed Transaction, the Cathexis Group will continue to face competition from a large number of process engineering service providers in the State, including Radley, BMD and MSL.
31. Third, information provided by the parties suggests that they are not close competitors. The parties state in the notification that they *“do not consider each other to be particularly close competitors to each other for process or mechanical engineering services market segments”*. The parties each provided to the Commission a list of process engineering services projects in the State for which they tendered in the State during the period from 1 January 2021 to 30 June 2022, and these lists support this assertion. Of the [...] process engineering projects for which Jones submitted a tender in the State during that period, Leo Lynch submitted a tender only approximately [...]% of the time.²⁵
32. Finally, the vast majority of customers contacted by the Commission during its review of the Proposed Transaction raised no competition concerns. The majority of customers expressed the view that while Leo Lynch primarily focuses on smaller process engineering services projects in the State, Jones tends to focus on larger process engineering projects. This is consistent with the information provided by the parties in respect of closeness of competition referred to in paragraph 31 above.

The Provision of Mechanical Engineering Services in the State

33. Table 2 below outlines estimated shares of turnover for the provision of mechanical engineering services in the State in 2020 and 2021:

Table 2: Estimated shares of turnover for the provision of mechanical engineering services in the State in 2020 and 2021.

²⁴ The Proposed Transaction will result in an estimated delta from the pre-merger figure of 87.36.

²⁵ Leo Lynch submitted a tender for [...] process engineering service projects in the State for the period from 1 January 2021 to 30 June 2022. Of these, [...] was amongst the [...] process engineering projects for which Jones submitted a tender.



Supplier	Share of turnover 2021 (%)	Share of turnover 2020 (%)
Jones	20-30	20-30
Leo Lynch	0-5	0-5
Combined	20-30	20-30
Mercury	10-20	10-20
Kirby	0-5	0-5
Designer Group Engineering Contractors Ltd ("DGECL")	0-5	0-5
Dornan	0-5	0-5
Tritech Contracting Ltd	0-5	0-5
LMC Group Ltd	0-5	0-5
Suir	0-5	0-5
Radley	0-5	0-5
Top 10 in Sector	60-70	60-70²⁶

Source: The parties' estimates, based on figures from Irish Construction News.²⁷

34. The Commission considers that the Proposed Transaction does not raise any horizontal competition concerns in the potential market for the provision of mechanical engineering services in the State for the following reasons.

35. First, as outlined in Table 1 above, following the implementation of the Proposed Transaction, the Cathexis Group will have a share of approximately 20-30% in the potential market for the provision of mechanical engineering services in the State. Given that Leo Lynch had a share of only 0-5% of the potential market for the provision of mechanical engineering services in the State in 2021, the Proposed Transaction will lead to a relatively small increase in the level of concentration in this potential market in the State.²⁸

²⁶ This figure also includes Winthrop Engineering & Contracting Limited (0-5%), and Riverside Mechanical Limited (0-5%), and does not include Suir's estimated share of 0-5% and Radley's estimated share of 0-5%.

²⁷ The breakdown of competitor revenue for 2021 is based on figures from Irish Construction News ([July 2022 edition](#)), and the breakdown of competitor revenue for 2020 is based on figures from Irish Construction News (September 2021 edition).

²⁸ The Proposed Transaction will result in an estimated delta from the pre-merger figure of 76.44.



36. Second, as outlined in Table 2 above, following implementation of the Proposed Transaction, the Cathexis Group will continue to face competition from a large number of mechanical engineering service providers in the State, including Mercury, Kirby, and DGECL.
37. Third, as similarly outlined in paragraph 31 above, information provided by the parties suggests that they are not close competitors. The parties state in the notification that they “*do not consider each other to be particularly close competitors to each other for process or mechanical engineering services market segments*”. The parties provided tender information from 1 January 2021 to 31 June 2022, which indicated that of the [...] mechanical engineering projects for which Jones submitted a tender for during that period, Leo Lynch submitted a tender only approximately [...] % of the time.²⁹
38. Finally, and as outlined in paragraph 32 above, the vast majority of customers contacted by the Commission during its review of the Proposed Transaction raised no competition concerns. The majority of customers expressed the view that while Leo Lynch primarily focusses on smaller mechanical engineering projects in the State, Jones tends to focus on larger projects. This is consistent with the information provided by the parties in respect of closeness of competition referred to in paragraph 37 above.

Conclusion on Horizontal Overlap

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

Vertical Relationship

40. In the notification, the parties submit that ISG is active in the market for the provision of construction management services, while ESS is active in the market for the provision of modular construction services.
41. In light of the above, the Commission has assessed the likely competitive impact of the Proposed Transaction in respect of the potential vertical relationships identified in paragraph 17 above, by

²⁹ Leo Lynch submitted a tender for [...] mechanical engineering projects in the State for the period from 1 January 2021 to 30 June 2022. Of these, [...] was amongst the [...] mechanical engineering projects for which Jones submitted a tender.



reference to the following potential markets: (i) the provision of construction management services in the State, and (ii) the provision of modular construction services in the State.

The Provision of Construction Management Services in the State

42. As noted above, following the implementation of the Proposed Transaction, ISG could potentially subcontract engineering services to Jones as part of its overall construction management services offering to customers in the State.
43. The Commission considers that no vertical foreclosure concerns are likely to arise following the implementation of the Proposed Transaction. The parties estimate that ISG had a share of less than 0-5% in the provision of construction management services in the State in 2020.³⁰ Competitors of ISG currently active in the State include Walls Construction Limited, STO Building Limited, and John Paul Construction Limited. Following the implementation of the Proposed Transaction, competitors of the Cathexis Group will continue to be able to provide engineering services to competitors of ISG, or to potential customers in a variety of sectors in the State. Furthermore, given the existence of a large number of providers of engineering services in the State (including those listed in Table 1 and Table 2 above), the Commission considers that there is no realistic prospect of the Proposed Transaction leading to the foreclosure of competitors of ISG currently active in the provision of construction management services in the State.

The Provision of Modular Construction Services in the State

44. As outlined above, following the implementation of the Proposed Transaction, ESS could potentially subcontract engineering services to Jones as part of its overall modular construction services offering to customers in the State.
45. The Commission considers that no vertical foreclosure concerns are likely to arise following the implementation of the Proposed Transaction. The parties estimate that ESS had a share of 10-20% in the provision of modular construction services in the State in 2020.³¹ Competitors of ESS currently active in the State include Portakabin Limited, Western Building Systems Limited, and the McAvoy Group Limited. Following the implementation of the Proposed Transaction,

³⁰ Calculated on the basis that the size of the Irish construction sector was approximately €12 billion, as per IBIS Market Research. For more information, please see: <https://www.ibisworld.com/ireland/market-research-reports/building-construction-industry/>.

³¹ Calculated based on ESS' market knowledge with reference to available tenders and competitor turnover.



competitors of the Cathexis Group will continue to be able to provide engineering services to competitors of ESS, or to customers in a variety of sectors in the State. Furthermore, given the existence of a large number of providers of engineering services in the State (including those listed in Table 1 and Table 2 above), the Commission considers that there is no realistic prospect of the Proposed Transaction leading to the foreclosure of competitors of ESS currently active in the provision of modular construction services in the State.

Conclusion on Vertical Relationship

46. In light of the above, the Commission considers that the Proposed Transaction does not raise any vertical competition concerns in the State.

Conclusion of Competitive Analysis

47. 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

48. The parties state in the notification that Clause 16 of the SPA contains certain restrictive covenants which the parties consider to be directly related and necessary to the implementation of the Proposed Transaction.
49. The Commission notes that the restrictions referred to by the parties appear to be contained in Clauses 16.1.1, 16.1.2, and 16.1.4 of the SPA.
50. The Commission notes that Clauses 16.1.1, 16.1.2, and 16.1.4 of the SPA contain certain restrictive obligations upon the Sellers, namely non-compete and non-solicitation clauses. The duration of these restrictive covenants does not exceed the maximum duration acceptable to the Commission.³² The Commission considers the restrictive obligations contained in Clauses 16.1.1, 16.1.2, and 16.1.4 of the SPA to be directly related and necessary to the implementation of the Proposed Transaction insofar as they relate to the State.

³² In this respect, the Commission follows the approach adopted by the European Commission in paragraphs 20 and 26 of its Notice on restrictions directly related and necessary to concentrations [2005] OJ C56/24 (the “European Commission Notice”), available at <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX%3A52005XC0305%2802%29>



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 Cathexis Ireland II Limited, an indirect wholly owned subsidiary of Cathexis PR IV LLC, would acquire the entire issued share capital, and thus sole control, of Jones Engineering Holdings International 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