

# DETERMINATION OF MERGER NOTIFICATION M/23/013 – RICOH EUROPE / PFH

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## Section 21 of the Competition Act 2002

### Proposed acquisition by Ricoh Europe Holdings PLC of the entire issued share capital of PFH Technology Group Unlimited Company and its subsidiary

Dated: 15 May 2023

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#### Introduction

1. On 05 April 2023, 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 transaction whereby Ricoh Europe Holdings PLC (“RicoH”), a company that is part of the Ricoh group of companies (the “RicoH Group”) would acquire the entire issued share capital of PFH Technology Group Unlimited Company and its subsidiary (“PFH”) (together, Ricoh, RicoH Group, and PFH are referred to as the “Parties”) (the “Proposed Transaction”).

#### The Proposed Transaction

2. The Proposed Transaction is to be implemented by way of a share purchase agreement (“SPA”) entered into between Ricoh, individual covenantors,<sup>1</sup> and PFH Enterprises Limited (the “Seller”) dated 31 March 2023, whereby Ricoh would acquire the entire issued share capital of PFH from the Seller.

#### The Acquirer – Ricoh Group

3. The Ricoh Group is active in two main business areas in the State: the supply of business technology services; and the sale of IT products. In relation to the supply of business technology services, in the Merger Notification Form Ricoh Group states it offers the following services in the State:<sup>2</sup>

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<sup>1</sup> As defined in the Notification as Paul F. Hourican, Paul John Hourican, Thomas Randles, Declan Van Esbeck, Paul Callaghan, and Chris Casey.

<sup>2</sup> Merger Notification Form, pages 7-8.

- (a) Digital workspace, including print, communications and workspace management;
  - (b) Business process management;
  - (c) Cybersecurity, including IT infrastructure; and,
  - (d) Digital experience delivered through digital eCommerce services, digital communication platforms, data analytics, and software engineering.
4. Under the sale of IT products, in the Merger Notification Form, Ricoh Group states it offers the following products in the State:<sup>3</sup>
- (a) Office printers, production printers, and direct to garment printers;
  - (b) Audio visual systems; and,
  - (c) Software and apps (office software, production printing software, mobile apps, and collaboration board software).
5. For the financial year ending 31 March 2022, Ricoh Group's turnover was €[...] billion worldwide, of which €[...] million was generated in the State.

### The Target – PFH

6. In the Merger Notification Form PFH describes itself as an *“integrated digital infrastructure and managed services company”*<sup>4</sup> whose business can be broken down into four main business areas:<sup>5</sup>
- (a) Hybrid Computer and Digital Infrastructure: sale of hardware and software, including laptops, desktops, licences, peripherals, and other products to large scale enterprise and government clients, and design and deployment of data centre solutions;
  - (b) Managed Services: contracted delivery of IT services in the areas of long-term managed IT resourcing, managed cloud services, managed solutions, managed infrastructure services and telephone support services;

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<sup>3</sup> Merger Notification Form, page 8.

<sup>4</sup> Merger Notification Form, page 8.

<sup>5</sup> Merger Notification Form, page 8.

- (c) Professional Services: consultancy and installation (hardware and software) services, project management and external training programmes (ie, IT consulting); and,
- (d) Talent Solutions: provides short-term IT resourcing services to meet immediate requirements of its client base.

7. For the financial year ending 30 June 2022, PFH's turnover was €[...] million worldwide, of which €[...] million was generated in the State.

## Rationale for the Proposed Transaction

8. The Parties state the following in the Merger Notification Form:

“[...]”<sup>6</sup>

## Contact with the Undertakings Involved

9. During its investigation, the Commission requested and received, on an on-going basis, further information and clarifications from the Parties involved in the Proposed Transaction.

## Third Party Submissions

10. No third party submissions were received.

## Competitive analysis

### Horizontal Overlap

- 11. There is a horizontal overlap between the activities of the Parties in the State. Both Ricoh Group and PFH are active in the supply of IT services in the State, including the narrower segments of the supply of: (i) IT consulting services; (ii) IT outsourcing services; and, (iii) IT products.<sup>7</sup>
- 12. The services provided by PFH within IT products primarily fall under PFH's Hybrid Computer and Digital Infrastructure business unit. This includes the sale of hardware and software,

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<sup>6</sup> Merger Notification, pages 5-6.

<sup>7</sup> Merger Notification Form, page 14.

including: laptops, desktops, licences, peripherals, and other products to large scale enterprise and government clients, and design and deployment of data centre solutions.

13. Ricoh Group undertakes a limited amount of IT product distribution of end-user workplace products in the form of laptops and PCs to customers in the State.

### Product Market Definition

14. The European Commission and the Commission have considered the markets for the supply of: (i) IT services; (ii) IT consulting services; (iii) IT outsourcing services; and, (iv) IT products, in a number of determinations to date.<sup>8</sup>
15. In the Merger Notification Form the Parties state that they “*reserve their position but consider the relevant product market to be the supply of IT services*”.<sup>9</sup>
16. In *M.5301 – CAP Gemini / Bas*, the European Commission considered both narrowly defined markets (segments of professional services) and a broadly defined market (IT services) in their competitive assessment. However, they found that the relevant product market definition could be left open as the European Commission concluded that the transaction did not raise any competition concerns under either definition.<sup>10</sup>
17. Previously in *M/20/007 – Version1 / Singlepoint* the Commission considered that there was horizontal overlap between the activities of the parties as both were active in the supply of IT services in the State. For the purpose of assessing if that proposed transaction would result in a substantial lessening of competition the Commission considered the narrow markets of (i) the supply of IT consulting services; (ii) the supply of IT outsourcing services; and, (iii) the supply of digital transformation services.<sup>11</sup>
18. In *M/19/023 – Arkphire / Trilogy* the Commission analysed the likely effects of that proposed transaction with reference to: (i) the supply IT consulting services; (ii) the supply of IT

<sup>8</sup> Please see, for example, *M/19/043 – Arkphire / Trilogy* <https://www.ccpic.ie/business/wp-content/uploads/sites/3/2019/12/M-19-043-Arkphire-Trilogy-Public.pdf>; *M/17/063 – Arrow / Commtech* [M-17-063-Arrow-Commtech-Public.pdf](https://www.ccpic.ie/business/wp-content/uploads/sites/3/2017/04/M_17-063-Arrow-Commtech-Public.pdf) (ccpic.ie); and *M/20/007 – Version1 / Singlepoint* [M-20-007-Version1-Singlepoint-Determination.pdf](https://www.ccpic.ie/business/wp-content/uploads/sites/3/2020/07/M-20-007-Version1-Singlepoint-Determination.pdf) (ccpic.ie); *M/15/037 – Deloitte / Systems Dynamics* [https://www.ccpic.ie/business/wp-content/uploads/sites/3/2017/04/M\\_15\\_037-Deloitte\\_SystemDynamics\\_Public-Version.pdf](https://www.ccpic.ie/business/wp-content/uploads/sites/3/2017/04/M_15_037-Deloitte_SystemDynamics_Public-Version.pdf); Case No COMP/ M.5301 - CAP GEMINI / BAS [http://ec.europa.eu/competition/mergers/cases/decisions/m5301\\_20081013\\_20310\\_en.pdf](http://ec.europa.eu/competition/mergers/cases/decisions/m5301_20081013_20310_en.pdf).

<sup>9</sup> Merger Notification Form, page 14.

<sup>10</sup> Case No COMP/M.5301 – CAP Gemini/BAS [m5301\\_20081013\\_20310\\_en.pdf](https://ec.europa.eu/competition/mergers/cases/decisions/m5301_20081013_20310_en.pdf) (europa.eu)

<sup>11</sup> *M/20/007 – Version1 / Singlepoint* [M-20-007-Version1-Singlepoint-Determination.pdf](https://www.ccpic.ie/business/wp-content/uploads/sites/3/2020/07/M-20-007-Version1-Singlepoint-Determination.pdf) (ccpic.ie)

outsourcing services; and, (iii) the supply of IT hardware products. The Commission did not deem it necessary to precisely define the relevant product market since the competitive analysis of the impact of that proposed transaction remained unaffected regardless of whether the relevant product market definition was narrow or broad.<sup>12</sup>

19. The Commission in *M/19/043 – Arkphire / Trilogy* has previously considered that the supply of IT consultancy services across all sectors consists of:<sup>13</sup>

- (a) IT consultancy services related to enterprise infrastructure and solutions – this refers to IT resources and data that are shared across an enterprise and includes infrastructure engineering for building, managing, and evolving shared IT;
- (b) 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;
- (c) 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;
- (d) 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,
- (e) IT consultancy services related to IT cloud subscription services – this refers to subscription to providers of public cloud, for instance, *Microsoft Office 365*.

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<sup>12</sup> *M/19/043 – Arkphire / Trilogy* [M-19-043-Arkphire-Trilogy-Public.pdf \(ccpc.ie\)](https://www.ccpc.ie/business/wp-content/uploads/sites/3/2019/12/M-19-043-Arkphire-Trilogy-Public.pdf)

<sup>13</sup> *M/19/043 – Arkphire / Trilogy* <https://www.ccpc.ie/business/wp-content/uploads/sites/3/2019/12/M-19-043-Arkphire-Trilogy-Public.pdf> [para. 16].

20. The Commission in *M/19/043 – Arkphire / Trilogy* has previously considered that the supply of IT outsourcing services across all sectors consists of:<sup>14</sup>
- (a) Outsourcing of public cloud computing services;
  - (b) Outsourcing of infrastructure as a service;
  - (c) Outsourcing of infrastructure including:
    - (i) data centre services;
    - (ii) network outsourcing;
    - (iii) end-user device outsourcing;
    - (iv) help desk outsourcing; and,
  - (d) Application outsourcing services.
21. Similarly, in *M/17/063 – Arrow / Commtech* the Commission noted that there was horizontal overlap between the business activities of the parties in the State as both offered a range of IT products, IT services, and IT solutions. The Commission concluded that the definition of the relevant product market could be left open, but assessed that proposed transaction with reference to the wholesale distribution of all IT products.<sup>15</sup>
22. The Commission defines markets to the extent necessary depending on the particular circumstances of a given case. The Commission considers that there are no reasons to depart from the Commission's and the European Commission's previous approach to product market definition for the purpose of assessing the Proposed Transaction. Therefore, the Commission does not need to come to a definitive view on the precise relevant product market in this instance, since its conclusion on the likely horizontal competitive impact of the Proposed Transaction will be unaffected whether the precise relevant product market(s) is either broad (consisting of the supply of IT services), or narrow (consisting of the supply of each of: (i) IT consulting services; (ii) IT outsourcing services; and, (iii) IT products).

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<sup>14</sup> *M/19/043 – Arkphire / Trilogy* <https://www.ccpic.ie/business/wp-content/uploads/sites/3/2019/12/M-19-043-Arkphire-Trilogy-Public.pdf> [para. 17].

<sup>15</sup> *M/17/063 – Arrow / Commtech* [M-17-063-Arrow-Commtch-Public.pdf \(ccpic.ie\)](#)

## Geographic Market Definition

23. The Commission and the European Commission have previously left the precise geographic market definition for the supply of: (i) IT services; (ii) IT consulting services; (iii) IT outsourcing services; and, (iv) IT products open but have considered geographic market definitions based on the European Economic Area (“EEA”), regional and national markets.<sup>16</sup>
24. Following the approaches taken by the Commission and the European Commission to date, the Commission has analysed the horizontal competitive impact of the Proposed Transaction by reference to the narrowest potential geographic market, i.e., the State.

## Conclusion on Market Definition

25. In this instance, it is not necessary for the Commission to define the precise relevant product markets because the Commission's assessment of the likely horizontal competitive effects of the Proposed Transaction in the State would be the same however those markets were defined. Nonetheless, the Commission has assessed the likely impact of the Proposed Transaction with reference to the potential markets for:
- (a) the supply of IT consulting services in the State;
  - (b) the supply of IT outsourcing services in the State; and,
  - (c) the supply of IT products in the State.

## Competitive assessment

### *Views of the Parties*

26. The Parties state that they are not aware of any single accurate and consistent third party source of data as regards the total size of IT services in the State,<sup>17</sup> with the sector consisting of *“numerous local and international large and small competitors who compete at the low, middle and high ends of the market.”*<sup>18</sup> The Parties consider that following the Proposed

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<sup>16</sup> M/15/037 – Deloitte / Systems Dynamics [https://www.ccpc.ie/business/wp-content/uploads/sites/3/2017/04/M\\_15\\_037-Deloitte\\_SystemDynamics\\_Public-Version.pdf](https://www.ccpc.ie/business/wp-content/uploads/sites/3/2017/04/M_15_037-Deloitte_SystemDynamics_Public-Version.pdf). Case No COMP/ M.5301 - CAP GEMINI / BAS [http://ec.europa.eu/competition/mergers/cases/decisions/m5301\\_20081013\\_20310\\_en.pdf](http://ec.europa.eu/competition/mergers/cases/decisions/m5301_20081013_20310_en.pdf)

<sup>17</sup> Merger Notification Form, page 17.

<sup>18</sup> Merger Notification Form, page 18.

Transaction, Ricoh Group's estimated share of supply in the supply of IT services in the State will not exceed [0-5]%,<sup>19</sup> while their estimated share of supply in each of (i) IT consulting services; (ii) IT outsourcing services; and, (iii) IT products will not exceed [5-10]%.<sup>20</sup>

27. Furthermore, the Parties consider that “[f]ollowing the Proposed Transaction, the parties will also face competition from a number of larger, well-established IT services companies, all of whom offer an extensive range of products”<sup>21</sup>, and that these competitors include [...], [...], [...], [...], [...], [...], and [...].<sup>22</sup>

### *Views of the Commission*

#### **The supply of IT consulting services in the State**

28. In relation to the supply of IT consulting services in the State, the Commission notes that it is estimated that PFH generated approximately €[...] million for the financial year ended June 2022, of which approximately €[...] million is attributed to “consultancy”.<sup>23</sup> Ricoh Group stated that a [...] of the €[...] generated by the Ricoh Group for the supply of IT services can be attributed to the supply of IT consultancy services in the State.<sup>24</sup>
29. The Commission notes that in *M/20/007 – Version1 / Singlepoint* the Commission considered a market assessment document prepared by market research company IDC Dutch Services Market Entry Assessment which was provided to the parties in that case by Enterprise Ireland and which estimated the total market for IT consultancy services in the State to be €1.6 billion in 2019.<sup>25</sup> The Commission considers that even if all of PFH's total revenue generated in the State in the financial year ending June 2022 (approx. €[...] million) could be attributed to the

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<sup>19</sup> Merger Notification Form, page 17. The Parties submitted estimated market shares by reference to Gartner data, which they consider to be the “most reliable source of data in relation to IT services”.

<sup>20</sup> Merger Notification Form, page 18.

<sup>21</sup> Merger Notification Form, page 19.

<sup>22</sup> Merger Notification Form, pages 19-20.

<sup>23</sup> Specifically, page [...] of [...] holds that for financial year ended June 2022, [...] % of PFH's Professional Services' division revenue could be attributed to consultancy.

<sup>24</sup> Correspondence between Ricoh Group and the Commission dated 24 April 2023.

<sup>25</sup> Gartner data submitted in annex 8 of the Merger Notification Form suggests that the general IT services sector has grown since 2019. For the purpose of its competitive assessment of the Proposed Transaction, the Commission has assumed that there has been no substantial fall in the size of the IT consulting sector since 2019. In the *M/20/007 – Version1 / Singlepoint* the Commission considered that the estimate size of the IT consulting service in the State was a broad range of between €1.6 billion and €4.7 billion, with the €1.6 billion figure being a conservative estimate.



supply of IT consultancy services,<sup>26</sup> the combined market share of Ricoh Group following the Proposed Transaction would be approximately [5-10]%.<sup>27</sup> Ricoh Group will still face competitive constraints from a number of competitors including Arkphire Group Limited, and Version1 Software Limited.

30. In light of the above, the Commission considers that the Proposed Transaction is unlikely to raise horizontal competition concerns in respect of the supply of IT consulting services in the State.

### The supply of IT outsourcing services in the State

31. In relation to the supply of IT outsourcing services in the State, the Commission notes that it is estimated that PFH generated approximately €[...] million for the financial year ended June 2022.<sup>28</sup> Ricoh Group stated that [...] generated by the Ricoh Group for the supply of IT services can be attributed to the supply of IT outsourcing services in the State.<sup>29</sup>
32. The Commission notes that in *M/20/007 – Version1 / Singlepoint* Gartner data estimated the total market for the supply of IT outsourcing services in the State to be approximately €[...] billion in 2019.<sup>30</sup> The Commission considers that even if all of PFH's total revenue generated in the State in 2022 (approx. €[...] million) could be attributed to the supply of IT outsourcing services,<sup>31</sup> the combined market share of Ricoh Group post-Proposed Transaction would be approximately [10-15]%.<sup>32</sup> Ricoh Group will still face competitive constraints from a number of competitors including Arkphire Group Limited, and Version1 Software Limited.

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<sup>26</sup> In practice, the Commission considers that [...].

<sup>27</sup> Which is below the threshold for under section 2(1)(b) of the CCPC's Simplified Merger Notification Procedure Guidelines, available at <https://www.ccpc.ie/business/wp-content/uploads/sites/3/2020/05/Simplified-Merger-Notification-Procedure-Guidelines.pdf>.

<sup>28</sup> Page 25 of Annex 8 of the Merger Notification Form.

<sup>29</sup> Correspondence between Ricoh Group and the Commission dated 24 April 2023.

<sup>30</sup> Gartner data submitted in Annex 8 of the Merger Notification Form suggests that the general IT services sector has grown since 2019. For the purpose of its competitive assessment of the Proposed Transaction, the Commission has assumed that there has been no substantial fall in the size of the IT outsourcing sector since 2019.

<sup>31</sup> In practice, the Commission considers that [...].

<sup>32</sup> Which is below the threshold for under section 2(1)(b) of the CCPC's Simplified Merger Notification Procedure Guidelines, available at <https://www.ccpc.ie/business/wp-content/uploads/sites/3/2020/05/Simplified-Merger-Notification-Procedure-Guidelines.pdf>.

33. In light of the above, the Commission considers that the Proposed Transaction is unlikely to raise horizontal competition concerns in respect of the supply of IT outsourcing services in the State.

#### **The supply of IT products in the State**

34. In relation to the supply of IT products in the State, the Commission notes that it is estimated that PFH generated approximately €[...] million for the financial year ended June 2022.<sup>33</sup> Ricoh Group stated that a [...] of the €[...] million generated by Ricoh Group for the supply of IT services can be attributed to the supply of IT products in the State.<sup>34</sup>
35. The Commission notes that Gartner data submitted in Annex 8 of the Merger Notification Form estimates that the total 2022 spend in the State on Hybrid Computer and Digital Infrastructure (which the Commission understands to be a subset of IT products) was approximately €[...] million. The Commission considers that even if all of PFH's total revenue generated in the State in the financial year ended June 2022 (approx. €[...] million) could be attributed to the supply of products,<sup>35</sup> the combined market share of Ricoh Group following the Proposed Transaction would be approximately [10-15]%.<sup>36</sup> Ricoh Group will still face competitive constraints from a number of competitors including Arkphire Group Limited and Datapac Unlimited Company.
36. In light of the above, the Commission considers that the Proposed Transaction is unlikely to raise horizontal competition concerns in respect of the supply of IT products in the State.

#### *Conclusion on horizontal competitive effects analysis*

37. In light of its analysis as set out above, the Commission has determined that the Proposed Transaction does not raise any horizontal competition concerns in the potential markets for:
- (a) the supply of IT consulting services in the State;
  - (b) the supply of IT outsourcing services in the State; and,

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<sup>33</sup> Page 24 of Annex 8 of the Merger Notification Form.

<sup>34</sup> Correspondence between Ricoh Group and the Commission dated 24 April 2023.

<sup>35</sup> In practice, the Commission considers that [...].

<sup>36</sup> Which is below the threshold for under section 2(1)(b) of the CCPC's Simplified Merger Notification Procedure Guidelines, available at <https://www.ccpc.ie/business/wp-content/uploads/sites/3/2020/05/Simplified-Merger-Notification-Procedure-Guidelines.pdf>.

- (c) the supply of IT products in the State.

## Vertical Relationships

38. The Parties have stated in the Merger Notification Form that there is no vertical overlap between the Parties' activities in the State. The Commission notes that in principle PFH's IT services could be supplied to Ricoh Group in the State (and vice versa) but considers that the Proposed Transaction is unlikely to raise any vertical competition concerns on account of the Parties' small shares as set out above.

## Ancillary Restraints

39. No ancillary restraints were notified.

## 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 Ricoh Europe Holdings PLC would acquire the entire issued share capital of PFH Technology Group Unlimited Company and its subsidiary 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**