



DETERMINATION OF MERGER NOTIFICATION M/18/060 - DESIGNER GROUP ENGINEERING /LENMAC MECHANICAL SERVICES

Section 21 of the Competition Act 2002

**Proposed acquisition by Designer Group Engineering Contractors Holdings
Designated Activity Company of Lenmac Mechanical Services Limited.**

Dated 03 September 2018

Introduction

1. On 3 August 2018, 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 Designer Group Engineering Contractors Holdings Designated Activity Company (“DGECH”) would acquire the entire issued share capital and thereby sole control of Lenmac Mechanical Services Limited (“Lenmac Mechanical”) from Lenmac Building Services Limited (“Lenmac Building”) (the “Proposed Transaction”). Lenmac Building’s ultimate parent is Lenmac Facilities Group Limited.

The Proposed Transaction

2. DGECH will purchase the entire issued share capital of Lenmac Mechanical by way of a share purchase agreement dated 27 July 2018, (the “SPA”), between DGECH, Lenmac Facilities Group Limited, Lenmac Building and John Lenihan and Carmel Lenihan (the “Covenantors”), thereby acquiring sole control of Lenmac Mechanical and its wholly-owned subsidiary Patrick Joseph Daly Limited (“PJD”).

The Undertakings Involved

The Acquirer - DGECH

3. DGECH together with its various direct and indirect subsidiaries, collectively known as the Designer Group corporate group (“Designer Group”), is a specialist



mechanical and electrical service provider operating in the UK, Ireland and Germany. Designer Group offers a full range of mechanical, electrical, process, instrumentation and commission services from concept design to post installation preventative maintenance.

4. DGECH was incorporated in Ireland on 26 August 2014. It provides integrated property facility management services to offices, retail units and commercial buildings, mixed development, government, industrial and educational premises. In particular, it offers cleaning, electrical, mechanical, heating, ventilation and water treatment services.
5. For the financial year ending 31 January 2018, DGECH's worldwide turnover was approximately €[...] million, of which approximately €[...] million was generated in the State.

The Vendor- Lenmac Building

6. Lenmac Building is the legal and beneficial owner of the entire issued share capital of Lenmac Mechanical.
7. *The Target - Lenmac Mechanical* Lenmac Mechanical is a private limited company incorporated in Ireland on 10 October 1988. Based in Limerick, Lenmac Mechanical provides a range of facility management services with a focus in the Mid-West region of Ireland, including:
 - mechanical services, such as boiler servicing, mechanical installations, air handling units, air conditioning, gas detection, gas conversions, heating, fire hydrants and sprinkler systems;
 - building services¹, such as repairs, roofing, plumbing, electrical, painting, tiling, floor finishing, water checks and sterilisation; and

¹ The principal activity in the State of PJD, a subsidiary of Lenmac Mechanical, is the provision of building services. PJD has only one employee and only one contract for the provision of building maintenance facility management services, with the University of Limerick.



- electrical services, such as fire detection, portable appliance testing and emergency lighting.
8. For the financial year ending 31 December 2017, Lenmac Mechanical’s worldwide turnover was approximately €[...] million, all of which was generated in the State.

Rationale for the Proposed Transaction

9. The parties state in the notification:

“DGECH considers that the Proposed Transaction presents it with the opportunity to enhance its presence in the market for ancillary facilities management services in the Mid-West Region of Ireland, where the Target Company is active.”

Third Party Submissions

10. No submission was received.

Competitive Analysis

Background

11. Facility Management (“FM”) services comprise a range of services which can, broadly, be divided into two categories: (i) “soft” FM services and (ii) “hard” FM services.² “Soft” FM services involve the provision of support services including reception, switchboard, cleaning, catering, security, portering and post room services. “Hard” FM services involve the provision of technical, maintenance, fabric and engineering support and helpdesk services. Electrical, mechanical and building services are all considered to be “hard” FM services.

Horizontal Overlap

² The Commission, and its predecessor organisation the Competition Authority, have previously considered the supply of FM services in several merger determinations. These are M/07/072 Carillion/McAlpine plc, M/09/021 Aramark/Veris and M/14/023 Noonan/Resource.



12. There is a horizontal overlap between the activities of the parties in the State, as both DGECH and Lenmac Mechanical are active in the supply of “hard” facility management services, specifically electrical, mechanical, and building facility management services.
13. The Commission defines markets to the extent necessary depending on the particular circumstances of a given case. In this case, the Commission does not need to come to a definitive view on the precise relevant geographic market definition since its conclusion on the competitive impact of the proposed transaction will be unaffected.
14. In previous merger determinations, the competitive assessment was carried out on the supply of FM services. The Commission notes that in the Proposed Transaction the parties activities only overlap in the specific “hard” FM services segment. The Commission therefore focused its analysis of the Proposed Transaction on the “hard” FM services segment.
15. Estimates provided by the parties indicate that the parties’ combined market share in the supply of “hard” FM services in the State is less than [...]%.³
16. Following implementation of the Proposed Transaction, the parties will continue to face competition from a number of suppliers of “hard” FM services located in the State, such as Noonan Services Group Limited,⁴ Mitie Facilities Management Ireland Limited,⁵ Sodexo Ireland Limited,⁶ CBRE Managed Services (Ireland) Limited,⁷ and Aramark Ireland Holdings Limited and its subsidiaries.⁸

³ The parties state that no reliable third party source of market shares is available for the provision of “hard” facility management services. The parties have provided their own estimates of market shares, using an estimated value for the market of €1 billion, and their best estimate for their competitors’ revenues from “hard” facility management services based on CRO filings. The Commission notes that it has no reason to question these figures.

⁴ The facility management services provided by Noonan in the State can be viewed at <http://www.noonan.ie/services/facilities-management/>

⁵ The facility management services provided by Mitie in the State can be viewed at <https://www.mitie.com/services/>

⁶ The facility management services provided by Sodexo in the State can be viewed at <https://ie.sodexo.com/sites/sdxcom-uk/home/services/integrated-facilities-management.html>

⁷ The facility management services provided by CBRE in the State can be viewed at <https://www.cbre.ie/en/services/occupiers/facilities-management>

⁸ The facility management services provided by Aramark in the State can be viewed at <http://aramarkproperty.ie/facilities-management/>



17. In light of the above, the Commission considers that the Proposed Transaction does not raise any horizontal competition concerns in the supply of “hard” facility management services in the State.

Vertical Relationship

18. There is no identifiable vertical relationship between the parties in the State. Therefore, the Commission considers that the Proposed Transaction does not raise any vertical competition concerns.

Conclusion

19. 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

20. The SPA contains a number of restrictive obligations on Lenmac Building, Lenmac Facilities Group Limited and the Covenantors. These include non-compete and non-solicitation clauses. The duration of these non-compete and non-solicitation obligations does not exceed the maximum duration acceptable to the Commission.⁹ The Commission considers these non-compete and non-solicitation obligations to be directly related to and necessary for the implementation of the Proposed Transaction.

⁹ In this respect, the Commission follows the approach adopted by the EU Commission in paragraphs 20 and 26 of its “Commission Notice on restrictions directly related and necessary to concentrations” (2002). For more information see [http://eurlex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52005XC0305\(02\)&from=EN](http://eurlex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52005XC0305(02)&from=EN)



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 Designer Group Engineering Contractors Holdings Designated Activity Company, would acquire the entire issued share capital and thereby sole control of Lenmac Mechanical Services 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