



# DETERMINATION OF MERGER NOTIFICATION M/20/007 – VERSION1 / SINGLEPOINT

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## Section 21 of the Competition Act 2002

### Proposed acquisition by Version1 Software Limited of sole control of Singlepoint Holdings Limited.

Dated 10 April 2020

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#### Introduction

1. On 3 March 2020, 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 Version1 Software Limited (“Version1”) would acquire sole control of Singlepoint Holdings Limited (“Singlepoint Holdings”) and its subsidiary Singlepoint Solutions Limited (“Singlepoint”) (the “Proposed Transaction”).

#### The Proposed Transaction

2. The Proposed Transaction is to be implemented pursuant to a Share Purchase Agreement (“SPA”) dated 28 February 2020 between Robert Curley, William Waldron and Brian Seery (the “Sellers”) and Version1.
3. Version1 will acquire the remaining shares in the issued share capital of Singlepoint Holdings (being 1.03%) together with those shares in the issued share capital of Singlepoint not held by Singlepoint Holdings pursuant to a secondary share purchase agreement (“SSPA”) to be executed on completion of the Proposed Transaction.<sup>1</sup>

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<sup>1</sup> The parties state in the notification that the SSPA is being entered into for administrative ease as there are certain shares in its issued share capital not owned by Singlepoint Holdings and instead are held by Singlepoint Holdings on trust for certain of Singlepoint’s employees.



4. Thus, following completion of the Proposed Transaction Version1 will acquire sole control of both Singlepoint Holdings and Singlepoint.

### **The Undertakings Involved**

#### *The Acquirer –Version1*

5. Version1 is a private limited company incorporated in the State with a registered address at Millennium house, Millennium Walkway, Dublin 1.
6. Version1 is an Irish Information Technology (“IT”) consultancy business specialising in providing enterprise cloud, enterprise resource planning, digital and software asset management services. Version1 serves public and private sector customers in a range of industries, in both Ireland and the United Kingdom. Version1 is multi-certified, with advanced partnership status across a range of competencies in Microsoft, AWS and Oracle.
7. Version1 is a wholly owned indirect subsidiary of Sionnach Limited (“Sionnach”). No individual either directly or indirectly owns more than 25% of Sionnach. Sionnach is registered in Guernsey with registered number 63209.
8. For the financial year ended 31 December 2019, Version1’s worldwide turnover was approximately €128.08 million, of which approximately €64.86 million was generated in the State.

#### *The Target - Singlepoint*

9. Singlepoint is a private limited company registered in the State with a registered address at Wework, 2 Dublin Landings, North Wall Quay, Dublin 1. It is ultimately controlled by Singlepoint Holdings. Singlepoint Holdings is a holding company with no business or assets other than Singlepoint.
10. Singlepoint has expertise in a number of areas including digital and cloud solutions, artificial intelligence (AI) and analytics.
11. Singlepoint is involved in the delivery of bespoke digital solutions, or digital transformation services, primarily using its proprietary Digital Acceleration Platform



(“DAPx”). The parties describe DAPx as a low code software framework that enables rapid delivery of business applications with minimal upfront investment in setup and training. Singlepoint operates across a variety of industries and has clients in the financial services, communications, eCommerce, charity and aviation sectors.

12. For the financial year ended 31 December 2019, Singlepoint’s worldwide turnover was approximately €12.74 million, all of which was generated in the State.

### **Rationale for the Proposed Transaction**

13. The parties state the following in the notification:

*“The commercial rationale underpinning the proposed transaction by Version1 are:*

- to add depth of capability to its existing digital transformation service offering.*
- to cross sell additional Version1 services to Singlepoint customers.*
- to benefit from the management expertise of the Singlepoint team. The Singlepoint management team comprises experienced IT Consultants with deep domain knowledge of solving complex IT challenges and demonstrating cultural alignment to Version1. Version1 believes that the addition of this management team will enhance its own senior leadership capability.”*

### **Third Party Submissions**

14. No submissions were received.

### **Product Market Definition**

#### *Horizontal Overlap*

15. There is a horizontal overlap between the activities of the parties in the State. Both Version1 and Singlepoint are active in the supply of IT services.

#### *Views of the parties*



16. The parties state the following in the notification:

*“There are some horizontal areas of overlap between the undertakings involved. However, owing to the bespoke nature of customer requirements, methodologies and underlying technology (etc.) deployed, it would be inaccurate to simplify the provision of a solution by either of the undertakings as substitutable or similar to the other. This overlap occurs in the provision of general services such as consulting, project and programme management, and software development”.*

17. The parties state that the narrowest relevant market in this case is the market for “domestic IT”.

#### *Views of the Commission*

18. The European Commission and the Commission have considered the market for the supply of IT services in a number of determinations to date.
19. 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 and IT management (now referred to as “IT outsourcing”)) in its competitive assessment of that transaction.<sup>2</sup> Similarly, 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”.<sup>3</sup>
20. 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.<sup>4</sup>

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<sup>2</sup> 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](https://ec.europa.eu/competition/mergers/cases/decisions/m5301_20081013_20310_en.pdf)

<sup>3</sup> 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](http://ec.europa.eu/competition/mergers/cases/decisions/m8248_659_3.pdf)

<sup>4</sup> The public determination is available to download from the Commission’s website at: <https://www.ccpc.ie/business/mergers-acquisitions/merger-notifications/m-18-087-fruition-partners-dxc-tesm/>



21. In its Determination in M/19/043–Arkphire/Trilogy the Commission considered that there was a horizontal overlap between the parties in the provision of IT consultancy services in the State, in the provision of IT outsourcing services in the State and in the provision of IT hardware products in the State.<sup>5</sup>
22. 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 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 more 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 digital transformation services.

### **Geographic market definition**

23. The Commission and the European Commission have previously left the precise geographic market definition for the provision of IT services open but have considered geographic market definitions based on the European Economic Area (“EEA”), regional and national markets.<sup>6</sup>
24. 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**

#### *The Market for IT consultancy services in the State*

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<sup>5</sup> The public determination is available to download from the Commission’s website at: <https://www.ccpc.ie/business/mergers-acquisitions/merger-notifications/m-19-043-arkphire-trilogy-technologies/>

<sup>6</sup> For example see the Commission’s determination M/15/037 Deloitte/Systems Dynamics which can be accessed at: <https://www.ccpc.ie/business/mergers-acquisitions/merger-notifications/m15037-deloitte-system-dynamics/> and the European Commission Decision in Case No COMP/M.5301 - CAP GEMINI / BAS which can be accessed at: [https://ec.europa.eu/competition/mergers/cases/decisions/m5301\\_20081013\\_20310\\_en.pdf](https://ec.europa.eu/competition/mergers/cases/decisions/m5301_20081013_20310_en.pdf)



25. Regarding the market for IT consultancy services, the parties submitted that it was difficult to find an industry standard definition. They cited sources which estimated that the size of the market was between €1.6bn and €4.7bn in 2019.<sup>7</sup>
26. The parties submitted that the market is characterised by a number of large and small competitors offering both generic and bespoke services to a range of sophisticated and knowledgeable buyers (in both the public and private sectors) largely through competitive tendering processes. The parties state in the notification that both undertakings compete with global businesses (i.e. Accenture, Deloitte, IBM, Cognizant) who are active in every major economy in the world, including the State.
27. Table 2 shows that based on a conservative estimate of the market for IT consultancy services (by applying the lower range of the estimated market size of IT consultancy services in the State provided by the parties) the Proposed Transaction will result in a *de minimis* increment in the market share of Version1 by approximately 0.8%.

**Table 1: The supply of IT consultancy services in the State**

| IT Consultancy Services   | Version1 | Singlepoint | Total Market |
|---|----------|-------------|--------------|
| Turnover generated in relation to IT Consultancy Services in 2019 | €64.9m   | €12.74m     | €1.6bn       |
| Market Share  | 4%       | 0.8%        | 100%         |

Source: IDC Dutch Services Market Entry Assessment

28. Furthermore, following implementation of the Proposed Transaction, there will remain a number of competitors (i.e., Accenture, Deloitte, IBM, Cognizant) which will continue to exert a competitive constraint on Version1 in the market for IT consulting services in the State.
29. In light of the above, the Commission considers that the Proposed Transaction does not raise any horizontal competitive concerns in the market for IT consulting services in State.

<sup>7</sup> Enterprise Ireland provided the parties with a document entitled Dutch Services Market Entry Assessment prepared by market research company IDC Dutch Services Market Entry Assessment, page 14, which estimated the market for IT consultancy services in the State to be €1.6billion in 2019. In M/18/087 Fruition Partners (DXC)/TESM the parties estimated the total market for the provision of IT consultancy services to be €4.7bn in 2018.



### *The market for IT outsourcing services in the State*

30. Regarding the market for IT outsourcing services the parties submitted that it was difficult to find an industry standard definition, stating that “no publicly available source, or other source available to Version1, tracks the market for the provision of IT outsourcing services in Ireland”.
31. In response to enquiries from the CCPC, the parties stated that while both companies provide some IT outsourcing as part of their IT consulting services, revenue is not broken down in this way and they were therefore unable to provide the IT outsourcing turnover as it is not distinct from their consulting services.
32. In M/19/043–Arkphire/Trilogy, Arkphire and Trilogy estimated that the overall market for IT outsourcing services in the State was worth €(...) in 2018. This estimate was based on market research provided by Gartner Inc.<sup>8</sup> Using this estimate, it is estimated the Proposed Transaction will result in a *de minimis* increment in the market share of Version1 by approximately [0-5%] in the market for IT outsourcing services (see Table 3 below).<sup>9</sup>

**Table 2: The supply of IT outsourcing services in the State**

| <b>IT Consultancy Services</b>                                    | <b>Version1</b> | <b>Singlepoint</b> | <b>Total Market</b> |
|---|-----------------|--------------------|---------------------|
| Turnover generated in relation to IT Consultancy Services in 2019 | €64.9m          | €12.74m            | €(...)              |
| Market Share  | [0-5%]          | [0-5%]             | 100%                |

Source: Gartner Inc

33. In light of the above, the Commission considers that the Proposed Transaction does not raise any horizontal competitive concerns in the market for IT outsourcing services in State.

### *The market for digital transformation services in the State*

<sup>8</sup> 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](http://www.gartner.com)

<sup>9</sup> Total revenue figures for both companies are used to calculate the market share.



34. Regarding the market for digital transformation services, in response to queries from the CCPC, the parties stated;

*“Digital Transformation (“DT”) is a broad description of companies adapting their services to leverage the benefits of digital technologies. For example, if customers can be reached on a mobile device, a company needs to have the technology in place to reach the customer. Some DT completely transforms an industry – for example, what Uber did to the taxi industry. In other situations, DT is about keeping up with competitors or changes to customer demands/preferences – for example, mobile banking. Given the importance nowadays of technology, e-commerce and mobile, almost all IT related services relate to DT to some degree.”;*

The parties also stated *“Digital Transformation is not, in our view, a standalone industry or service and as such it is challenging to find national numbers for this”;* and

*“if we are to narrow the focus from ITC in general, DT is the area of overlap, and within DT, there will be elements of consulting, project delivery, implementation, support etc”.*

35. Following implementation of the Proposed Transaction, Version1 will continue to face strong competition from a number of major competitors (i.e., Microsoft, IBM, Deloitte, Accenture, Fujitsu, etc.) providing digital transformation services in the State. In addition consumers of the type of digital services Version1 and Singlepoint supply are sophisticated and knowledgeable buyers and transact largely through competitive tendering processes. Information Technology is a rapidly evolving sector, characterised by technological advancement, consistent innovation and low barriers to entry facilitating new service providers entering the market.
36. In light of the above, the Commission considers that the Proposed Transaction does not raise any horizontal competitive concerns in the market for digital transformation services in the State.

#### *Vertical Relationship*

37. The parties state in the notification that there is no vertical relationship between the parties in the State.





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

### **Conclusion**

39. 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**

40. Clause 12 of the SPA contains non-compete and non-solicitation obligations on the Sellers, for a period of 36 months from the date of completion of the Proposed Transaction. The duration of these non-compete and non-solicitation obligations does not exceed the maximum duration acceptable to the Commission.<sup>10</sup> 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.

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<sup>10</sup> In this respect, the Commission follows the approach adopted by the European Commission in paragraphs 20 of its “Commission Notice on restrictions directly related and necessary to concentrations” [2005] OJ C56/03. 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 Version1 Software Limited would acquire sole control of Singlepoint Holdings 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**