



## Case M996

# The acquisition by C5 Alliance Limited of Itex (Holdings) Limited

---

## Decision

Document No. 13/38

19<sup>th</sup> July 2013

**Jersey Competition Regulatory Authority**  
2<sup>nd</sup> Floor Salisbury House,  
1-9 Union Street,  
St Helier, Jersey, JE2 3RF  
Tel 01534 514990, Fax 01534 514991 Web:  
[www.cicra.je](http://www.cicra.je)

## Executive Summary

1. This decision relates to the proposed acquisition by C5 Alliance Limited, a subsidiary of Timespace Limited, of Itex (Holdings) Limited, owned by Claverley Holdings Limited. The buyer is a company incorporated in Jersey and the seller is incorporated in England and Wales.
2. The transaction was notified and opened to public comment and consultation on 24 June 2013. No comments or enquiries were received.
3. The buyer is a professional services company that delivers advanced business IT solutions to financial institutions, legal firms and governments based in Jersey and Guernsey. The seller is active in local newspaper publishing, technology services and retailing in the Channel Islands and the Isle of Man.
4. The transaction would see C5 Alliance Limited acquire Itex (Holdings) Limited, comprised of the wholly-owned subsidiaries Itex (Guernsey) Limited, Itex (Jersey) Limited and Itex (Isle of Man) Limited, by means of a sale of the entire issued share capital of Itex (Holdings) Limited. The transaction will result in a combined business employing more than 25% of the digital professionals in Jersey's IT sector. The transaction therefore requires the approval of the Authority ("the Authority") under Article 20 of the *Competition (Jersey) Law 2005* and Article 2 of the *Competition (Mergers and Acquisitions) (Jersey) Order 2010*.
5. This IT sector is subject to rapid change and there are several competitors in the sector in Jersey, including Logicalis, JT Global, Foreshore, P247 and Epitomii. The relevant business areas to which this transaction relates fall into three categories: Professional Services, Managed Services and Procurement Services. Professional Services are more bespoke and can be further sub-divided into Business Solutions, Business Intelligence, Project Delivery, Business Process and Technical Solutions.
6. There is a level of horizontal overlap between the parties in a sub-category of Professional Services, namely Technical Solutions. This sub-category has a relatively high number of market participants and there is recent market entry. There is also some horizontal overlap between the parties in Managed Services, but the overlap is limited and there is substantial competition from Logicalis and JT Global.
7. Given evidence of recent market entry in the wider IT sector, the barriers to entry do not appear significant. Services can be provided to clients in the Bailiwick from outside the jurisdiction but this may be limited in areas such as Managed Services where rapid support response is a key aspect of the service.

8. In light of the limited overlap between the parties' overall activities, the evidence of recent entry and expansion in some markets in which the parties are active, the possibility of local customers obtaining many of these services from suppliers outside Jersey and the absence of any concerns expressed by customers, the Authority considers that there is no basis for concluding that the transaction will lead to a substantial lessening of competition in any markets within Jersey.
9. The Authority therefore approves the transaction in accordance with Article 22 (1) of the *Competition (Jersey) Law 2005*. The issues and reasons for the decision are set out in more detail below.

### **The parties**

10. The buyer, C5 Alliance Limited, a subsidiary of Timespace Limited a company incorporated in Jersey, provides professional services company that deliver advanced business IT solutions to financial institutions, legal firms and governments based in Jersey and Guernsey, with targeted growth in other offshore jurisdictions. The buyer employs 53 digital professionals in Jersey of the 350 digital professionals working in the IT sector based on the interim report published in September 2012 by Digital Jersey, "*The Digital Picture: a review of Jersey's digital skills*".
11. The seller, Claverley Holdings Limited is incorporated in England and Wales, is active in local newspaper publishing, technology services and retailing in the Channel Islands and the Isle of Man. Claverley Holdings Limited is the owner of Itex (Holdings) Ltd, the subject of this transaction. The publisher of Jersey's local newspaper, the Jersey Evening Post Limited, which is also the only wholesale newsagent handling national newspapers and magazines in Jersey, (where it trades as Jersey Distribution), also owned by the seller and has in excess of a 40% share of supply of these markets in which it is active in Jersey. Itex (Holdings) Limited employs 51 digital professionals in Jersey.

### **The Transaction**

12. It is intended that the sale of Itex (Holdings) Limited will take place by means of a sale of the entire issued share capital of the company to the buyer. The transaction from the seller's perspective has been prompted by a strategic decision to focus on its core publishing activities, coupled with [REDACTED]. C5 Alliance Limited considers the transaction will enhance the range of services provided to existing and target customers and markets, reflecting the changing needs of the market and the evolving IT sector. The buyer also considers the transaction will improve the scale of the business to enable it to export its services, further develop the Managed Services

offering of the target business and consolidate the Professional Services offering of the target business given the buyer's existing expertise in this area.

13. This transaction is not notifiable to any other merger authority.
14. The turnover of C5 Alliance Limited for the financial year ended 31 January 2013 was [REDACTED] in Jersey. The seller's turnover for the financial year ended 31st December 2012 was [REDACTED] and the target of the transaction had turnover of [REDACTED] over the same period in Jersey. The buyer employs 53 digital professionals in Jersey equating to approximately 15% of the digital professionals working in the IT sector. The target, Itex (Holdings) Ltd, employs 51 digital professionals in Jersey. On this basis, the parties have submitted (and the Authority accepts) that the transaction meets the 25% threshold in Article 2 of the *Competition (Mergers and Acquisitions) (Jersey) Order 2010*.

### **Consultation**

15. The merger was notified to the Authority on 24 June 2013, opening a consultation that closed on 8 July 2013. No responses or requests for information have been received in connection with that consultation. The Authority separately made contact with certain of the customers and competitors of the parties.

### **The Market**

16. A key resource for the delivery of IT services is staffing expertise. The share of digital professionals has been used by the parties to estimate shares of supply, given the absence of turnover figures for Jersey as a whole in this sector or other measures on which to base market shares. Using IT professionals, the market share of the merged entity in Jersey following the acquisition would be 29.5%, with C5 Alliance Limited employing around 15% of digital professionals in the IT sector and Itex employing 14.5% of digital professionals prior to the transaction.
17. For purposes of this assessment, the Authority has taken the view that the relevant product market is for third-party supplied IT services. While the resource demands will differ between sub-categories of this market, namely Professional Services, Managed Services and Procurement Services, there is complementarity and overlap in the skill sets required to deliver services in these sub-categories. The presence of several competitors in more than one of these sub-categories also supports the view that there may not be sub markets of relevance to this assessment.
18. Narrowing the market definition or considering a number of distinct markets would not, in this case, appear to affect the Authority's reasoning or decision.

## **Assessment**

19. According to Article 20(1) of the Law, a person must not execute certain mergers or acquisitions except with and in accordance with the approval of the Authority. According to Article 2(1)(b) of the Law, a merger or acquisition occurs for the purpose of the Law if a person who controls an undertaking acquires direct or indirect control of the whole or part of another.
20. The IT sector is one of the more rapidly changing and dynamic sectors. The market for the provision of these services is relatively fragmented in Jersey with several competing firms employing between 4-5 staff. Interviews with customers did, however, suggest a growing demand for single point business solutions in Jersey that the current market structure was not meeting due to the high level of fragmentation. This was particularly the case in the provision of professional and managed services.
21. The presence of a number of competitors in Jersey, such as Logicalis, Epitomii and ASL, as well JT Global, P247, FocusIT and Sure, suggests a large range of choice is available to consumers. Several of these businesses are recent entrants to the provision of IT services, indicating barriers to entry are low. As referred to above, the complexity of customer needs and the increasing demand for a wider portfolio of services to meet demand for expertise across a range of IT services suggest there are benefits to consumers from the transaction which outweigh any disadvantages stemming from greater concentration in the market.
22. The absence of any adverse comment from the consultation, and the fact that there are also potentially significant benefits to competition from the creation of a stronger IT services business in Jersey through this acquisition, leads the Authority to conclude that this transaction will not lead to a substantial lessening of competition. Moreover, there may be significant benefits to customers as a whole arising from the greater scale and scope of the merged business.

## **Decision**

23. Based on the preceding analysis, the Authority hereby approves the Acquisition under Article 22(1) of the Law.

**19<sup>th</sup> July 2013**

**By order of the JCRA board**

