



DETERMINATION OF MERGER NOTIFICATION M/15/037 DELOITTE/SYSTEM DYNAMICS

Section 21 of the Competition Act 2002

Proposed acquisition by Deloitte Services of the entire issued share capital of System Dynamics Limited, System Dynamics Enterprise Applications Limited and System Dynamics UK Limited from System Dynamics Group Limited

Dated 5 August 2015

Introduction

1. On 13 July 2015, in accordance with section 18(1) of the Competition Act 2002, as amended¹ (“the Act”), the Competition and Consumer Protection Commission (“the Commission”) received a notification of a proposed acquisition by Deloitte Services (“Deloitte Ireland”) of the entire issued share capital of System Dynamics Limited, System Dynamics Enterprise Applications Limited and System Dynamics UK Limited (together the “Target”) from System Dynamics Group Limited (“System Dynamics”).

The Transaction

2. The proposed transaction is to be implemented pursuant to a Share Purchase Agreement between Deloitte Ireland and System Dynamics entered into on 13 July 2015 whereby Deloitte Ireland agreed to acquire the entire issued share capital of the three companies comprising the Target.

The Purchaser

3. Deloitte Ireland is a private unlimited company incorporated in Ireland and is a member of Deloitte Touche Tohmatsu Limited (“DTTL”), a UK private company limited by guarantee.² “Deloitte” is the brand under which tens of thousands of professionals in independent firms throughout the world collaborate to provide audit, consulting, financial advisory, risk management, tax, and related services to clients. These firms are members of DTTL. In the State, Deloitte Ireland and its affiliates provide audit, tax, consulting, and corporate finance services to public and private sector clients across a range of industries.
4. Specifically with respect to its consultancy offering, Deloitte Ireland provides a range of services to clients on human capital, strategy, operations and technology issues.

¹ It should be noted that the Competition and Consumer Protection Act 2014 made a number of important amendments to the merger review regime set out in the Competition Act 2002.

² Each DTTL member firm (such as, for example, Deloitte Ireland) provides services in particular geographic areas and is subject to the laws and professional regulations of the particular country or countries in which it operates.



5. The technology services delivered by Deloitte Ireland fall into the following three key areas:
 - Enterprise applications: this involves solving complex business issues with a combination of packaged software expertise, more efficient processes, and deep industry experience including SAP package technologies, Oracle package technologies and other package solutions including Adobe, Aprimo, Lawson Software, Pricing Solutions, and Workday.
 - Technology integration: this consists of advisory and implementation services, providing clients with a range of solutions to help better manage their technology organisations and portfolio of technology assets. The services provided in this area include information management, platform architecture and infrastructure, systems integration, technology advisory, cloud services and application management services.
 - Deloitte digital: this encompasses the design and development of digital business solutions, including digital business strategy development, customer experience and engagement, digital marketing and digital platforms.
6. For the financial year ending 31 December 2014, the Deloitte network of member firms had worldwide turnover of approximately €45.4 billion and Deloitte Ireland had turnover in the State of approximately €179 million.

The Target

7. The three companies that comprise the Target are wholly-owned subsidiaries of Systems Dynamics. Systems Dynamics is an Irish-based IT consultancy company which provides a range of IT-related services to business, including the application and implementation of business process software solutions and related consultancy services.
8. The Target provides software and IT consulting to clients with regard to specific IT issues in the following areas:
 - Professional Services: this involves assisting client companies to assess, implement and manage business and IT change.
 - Development Services: this involves the provision of design, development, implementation and support services, across multiple IT technologies including mainframe support, web services, data analytics and mobile application services.
 - Asset Management: assisting client companies to maximise the return from their investment in physical assets.
 - Software Licensing: helping client companies comply with software licensing obligations.
9. For the financial year ending 31 December 2014, the Target had worldwide turnover of approximately €[...] million and turnover in the State of approximately €[...] million.



Rationale for the Proposed Acquisition

10. The notification states:

“The key strategic benefits of the Proposed Transaction to Deloitte are:

- [...]”

Third Party Submissions

11. No submission was received.

Competitive Analysis

12. 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 precise relevant markets. However, since there is a horizontal overlap between the parties in the provision of IT consultancy services, the Commission has reviewed the competitive impact of the proposed transaction on the market for the provision of IT consultancy services in the State.
13. The parties’ estimate that the market for IT consultancy services in the State is worth approximately €1 billion. 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.
14. Market shares are not readily available, but the parties estimate the market share of the Target to be in the region of [0-10]% of the narrow IT consultancy market within which the Target operates. Consequently it is unlikely that the acquisition of the Target by Deloitte Ireland will have a material impact on the competitive dynamic of the market.
15. Aside from the fact that the proposed transaction will give rise only to a very small accretion of market share, the proposed transaction is also unlikely to raise any competition concerns for the following reasons:
- While there is horizontal overlap in the activities of the parties in the State, this is limited by the extent to which the parties operate at different tiers within that market. Deloitte Ireland provides IT consultancy services to large corporates, banks, PLCs and public bodies while the Target is focussed primarily on providing bespoke solutions to smaller companies and organisations.
 - There is no vertical overlap between the parties.
 - Post-merger Deloitte Ireland will continue to face strong competition within the State from its main competitors KPMG, Ernst & Young, PWC, Accenture and Bearing Point.



- The market is characterised by sophisticated and knowledgeable buyers (in both the public and private sectors) who can easily switch providers and who purchase IT consultancy services through largely transparent competitive tendering processes.
16. The Commission therefore considers that the proposed transaction will not substantially lessen competition in any market for goods or services in the State.

Ancillary Restraints

17. The Share Purchase Agreement between the parties to the proposed transaction contains a number of restrictive obligations. These include non-compete and non-solicitation clauses.³ The Commission considers these restrictions to be directly related and necessary to the implementation of the proposed transaction.

³ The duration of these ancillary restraints does not exceed the maximum duration acceptable to the Commission. In this respect the Commission follows the approach adopted by the EU Commission in paragraph 20 of its “Notice on restrictions directly related and necessary to concentrations” (2005).
See [http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52005XC0305\(02\)&from=E](http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52005XC0305(02)&from=E).



Determination

The Competition and Consumer Protection Commission, in accordance with section 21(2)(a) of the Competition Act 2002, has determined that, in its opinion, the result of the proposed transaction whereby Deloitte Services would acquire the entire issued share capital of System Dynamics Limited, System Dynamics Enterprise Applications Limited and System Dynamics UK Limited from System Dynamics Group 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.

Gerald FitzGerald

Member

Competition and Consumer Protection Commission