

DETERMINATION OF MERGER NOTIFICATION M/17/057 – APOLLO/CATALINA

Section 21 of the Competition Act 2002

Proposed acquisition by Apollo Management, L.P. of sole control of Catalina Holdings (Bermuda) Ltd.

Dated 27 November 2017

Introduction

1. On 31 October 2017, 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 (the “Proposed Transaction”) whereby Avalon Acquisition, LLC (“Avalon”), which is owned by investment funds managed by affiliates of Apollo Management, L.P., would acquire sole control of Catalina Holdings (Bermuda) Ltd (“Catalina”).

The Proposed Transaction

2. Currently, investment funds managed by affiliates of Apollo Management, L.P. own approximately [...] % of the issued share capital of Catalina and do not exercise control over Catalina. The Proposed Transaction will be implemented by way of a Share Purchase Agreement (the “SPA”) between Avalon and Catalina’s current shareholders¹ dated 10 October 2017. Pursuant to the SPA, investment funds managed by affiliates of Apollo Management, L.P. will own approximately [...] % of the issued share capital of Catalina and will exercise sole control over Catalina for the purposes of Part 3 of the Act.

¹Caisse de dépôt et Placement Du Québec, Apollo Rose, L.P., Ontario Teachers’ Pension Plan Board and a number of Catalina’s senior managers.

The Undertakings Involved

Acquirer - Apollo Management, L.P.

3. Avalon is a special purpose vehicle created for the purposes of the Proposed Transaction and is solely controlled by investment funds managed by affiliates of Apollo Management, L.P.. Apollo Management, L.P., a Delaware Limited Partnership, established under the laws of the United States, is a subsidiary of Apollo Global Management LLC (Apollo Global Management LLC, its affiliates and funds managed by its affiliates are referred to collectively herein as “Apollo”). Apollo is a global alternative investment manager, with offices located in North America, Canada, Europe and Asia.
4. Apollo invests in companies and debt issued by companies involved in various industries worldwide, including chemical, cruise line, logistics, paper, IT consulting, security, financial and packaging businesses. In 2016, the following 11 portfolio companies controlled by Apollo generated turnover in the State:
 - [...];
 - [...];
 - [...];
 - [...];
 - [...];
 - [...];
 - [...];
 - [...];
 - [...];
 - [...];
 - [...];



5. For the financial year ending 31 December 2016, Apollo's worldwide turnover was approximately €[...] billion, of which approximately € [...] million was generated in the State.

Target - Catalina

6. Catalina, a privately owned company incorporated in Bermuda, is a consolidator in the non-life insurance and reinsurance run-off sector. Catalina has offices in Bermuda, the United States, the United Kingdom, the State and Switzerland.
7. Catalina manages non-life insurance and reinsurance companies and portfolios in run-off finality mainly through outright acquisition, co-venturing, profit sharing or partnership structures. Catalina manages² the claims liabilities arising from the entities acquired or loss portfolios reinsured/transferred. Catalina also manages the asset portfolios that back the liabilities assumed. Catalina only operates in the non-life insurance and reinsurance run-off or legacy liability sector and does not offer new policies to customers in the State.³
8. For the financial year ending 31 December 2015, Catalina's worldwide turnover was approximately €[...] million, of which approximately €[...] million was generated in the State.

Rationale for the Proposed Transaction

9. The parties state in the notification:

“For Apollo, the Proposed Transaction represents an attractive investment in non-life run-off insurance portfolios and an opportunity to use its investment management expertise to enable Catalina to achieve its full potential.”

Third Party Submissions

²Either directly using in-house resources or via specialist third party outsourced services providers.

³Catalina have offered new policies to policyholders where there is a mandatory requirement to offer renewals. e.g., e.g. California personal auto insurance.



10. No submission was received.

Competitive Analysis

11. There is no horizontal overlap between the business activities of the parties in the State. None of the [...] portfolio companies controlled by Apollo that generated turnover in the State in 2016 are engaged in the same business activities as Catalina, namely the acquisition and management of non-life insurance and reinsurance companies and liability portfolios in run-off in the State. Therefore, the Proposed Transaction does not raise any horizontal competition concerns in the State.
12. The parties have stated in the notification that there is no vertical relationship between Apollo and Catalina in the State. Therefore, the Proposed Transaction does not raise any vertical competition concerns in the State.

Conclusion

13. 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

14. 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 Avalon Acquisition, LLC, which is owned by investment funds managed by affiliates of Apollo Management, L.P., would acquire sole control of Catalina Holdings (Bermuda) Ltd, 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