



DETERMINATION OF MERGER NOTIFICATION M/17/059 – NEWSPREAD/HEGADON

Section 21 of the Competition Act 2002

Proposed acquisition by Newsread Limited of certain businesses assets of Hegadon Limited.

Dated 13 December 2017

Introduction

1. On 3 November 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 Newsread Limited (“Newsread”) would acquire certain business assets (the “Target Assets”) of the wholesale stationery business of Hegadon Limited (“Hegadon”).

The Proposed Transaction

2. The Proposed Transaction is to be implemented pursuant to a business purchase agreement (the “Agreement”) dated 2 November 2017 between Newsread, [Hegadon,] Hegadon’s shareholders¹, Sean [McDonough] and Tanya Byrne², whereby Newsread will acquire the Target Assets. Following implementation of the Agreement, Newsread will acquire ownership and control of the Target Assets from Hegadon.

The Undertakings Involved

The Acquirer

3. Newsread is a private company limited by shares, and is a wholly-owned subsidiary of Independent News & Media (“IN&M”). IN&M, headquartered in Dublin, is a newspaper and media group listed on the Irish and London Stock Exchanges. In the State, IN&M’s primary activities include :

- newspaper publishing of national daily, evening and Sunday newspapers, 12 weekly regional newspapers, as well as a number of regional freesheets;

¹ Vicante Limited and Kadmonites Limited.

² Sean [McDonough] and Tanya Byrne are directors of Hegadon



- on-line editorial, i.e., IN&M owns a number of websites which host on-line editorial and which distribute/disclose online digital video content for brands/advertising agencies;
 - newspaper contract printing; and
 - the wholesaling and distribution of newspapers and magazines.
4. Newsread is principally a newspaper distribution service provider. Newsread also distributes wholesale general stationery to retailers and supermarkets through its print news distribution network. Its main customers are [...]. Newsread's [...] stationery products [...] are copier paper, sellotape, till roll, visa roll, and pens. Newsread sells branded products such as [...]. IN&M does not own any other stationery wholesaler.
5. For the financial year ending 31 December 2016, IN&M's turnover was approximately €323,400,000, of which approximately [...] was generated in the State.

The Target Assets

6. Hegadon is a company limited by shares incorporated in the State. The Target Assets constitute the wholesale stationery business carried on by Hegadon under the names "Supreme Stationery", "Retail Distribution Ireland", "Super Select Stationery" and "Performance Stationery" as well as intellectual property, business and customer relationships, knowledge and know how, goodwill, records and certain property and fixed assets.³
7. Hegadon supplies general stationery primarily to [...]. Additionally, it supplies stationery to [...] and a number of smaller retailers. Hegadon's leading stationery products by sales revenue are paper products, such as hard and soft copy books, plastics products such as polypockets and ring binders, pens and pencils, and art supplies. Hegadon supplies only own brand stationery, under its own "Supreme Stationery" label, and does not supply the products of other major labels.
8. For the financial year ending 31 December 2016, the Target Assets' turnover was approximately [...], all of which was generated in the State.

Rationale for the Proposed Transaction

9. The notification states:

"[T]he target business' size, product range, brand, location and organisation structure will strategically fit with the Purchaser's strategy for growth and diversification"

³ Certain assets are expressly excluded from the Proposed Transaction. The excluded assets include [...]



Third Party Submissions

10. No submission was received.

Competitive Analysis

11. There is a horizontal overlap between the activities of the parties in the State. Newsread and Hegadon are both active in the wholesale supply of general stationery, albeit to different categories of customers, within the State.
12. The parties have a limited overlap in customers due to their different distribution models. Hegadon sell wholesale stationery primarily to educational and school supply retailers, whereas Newsread distributes wholesale stationery through its print news distribution network and therefore its customers are retailers and supermarkets.
13. 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 product markets. The Commission's conclusions concerning the competitive impact of the Proposed Transaction would be unaffected whether the relevant product market is defined narrowly (e.g., the wholesale supply of general stationery, such as pens, notebooks, staplers) or more broadly (the wholesale supply of all stationery including ink and paper products⁴). However, for the purpose of the competitive analysis of the Proposed Transaction, the Commission has assessed the competitive impact of the Proposed Transaction in the narrowest potential product market, i.e., the market for the wholesale supply of general stationery.
14. Similarly, it is not necessary for the Commission in this instance to define the precise geographic scope of the relevant product market. However, for the purpose of assessing the competitive impact of the Proposed Transaction, the Commission has analysed its likely competitive impact by reference to the State.
15. For the reasons set out below, the Commission considers that the Proposed Transaction does not raise any horizontal competition concerns in the State.
16. Figures provided by the parties in the notification indicate that, following implementation of the Proposed Transaction, Newsread and Hegadon's combined market share in the market for the wholesale supply of general stationery in the State will be [20-25]% with the Proposed Transaction resulting in an increment of [0-5]% in market share. These figures are replicated in Table 1 below, which shows the estimated market shares for the wholesale supply of general stationery in the State in 2015.

⁴ This would include suppliers of specialist stationery such as ink cartridges and paper products for less general uses, such as office stationery suppliers.



Table 1: Market shares for the wholesale supply of general stationery, in 2015 in the State

Company	Estimated market share
Salamand Overseas Limited	[50-60]%
Hegadon	[15-20]%
Easons and Sons Limited	[5-10]%
Keane Wholesale Limited	[5-10]%
Budget Greeting Cards Limited	[0-5]%
Sean Fitzpatrick (Wholesale) Limited	[0-5]%
Newsread	[0-5]%
Rest of Market	[5-10]%

Source: The parties⁵

17. The Commission notes that Newsread's turnover associated with the wholesale stationery market in the State was [...] for the financial year ending 2016, suggesting that their market share is small⁶. Therefore, the incremental rise in market share following implementation of the Proposed Transaction will be minimal.
18. The Commission considers that, following implementation of the Proposed Transaction, Newsread will continue to face competition from a number of competitors in the potential market for the wholesale supply of general stationery in the State. Several

⁵ The parties informed the Commission that these figures are based on DHKN Limited's estimates of competitors revenues.

⁶ Research supplied by the parties from DHKN estimates that a market value of €[...]m for the wholesale stationary market in the State in 2015. As this figure excludes B2B sales, and only focuses on sales to retailers it corresponds to the general stationary market definition used by the Commission in this competitive analysis. The Commission does not see any reason to dispute this methodology.



wholesale suppliers of general stationery are active in the State, most of whom are active throughout the State. These competitors include Salamand Overseas Limited (t/a Premier Stationery), Eason and Son Limited, Keane's Wholesale Limited and Sean Fitzpatrick (Wholesale) Limited.

19. The Commission's investigation has found that the barriers to entry and expansion of competitors are small as neither manufacturers nor retailers enter into long term agreements with wholesalers. Entrants or existing competitors are not likely to be foreclosed from the market, as both manufacturers and retailers can switch easily to competitors.
20. The Commission has not identified any vertical relationship between the parties in the State. The Proposed Transaction does not therefore raise any vertical competition concerns in the State.

Conclusion

21. 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

22. Clause 9 of the Agreement contains a number of restrictive obligations on Hegadon, Hegadon's shareholders⁷, Sean [McDonough] and Tanya Byrne⁸. Those include non-compete obligations and non-solicitation obligations regarding customers, suppliers and employees.⁹ The duration of those non-compete and non-solicitation obligations does not exceed the maximum duration acceptable to the Commission¹⁰. The Commission considers those non-compete and non-solicitation obligations to be directly related to and necessary for the implementation of the Proposed Transaction.

⁷ Vicante Limited and Kadmonites Limited.

⁸ Sean [McDonough] and Tanya Byrne are [directors of Hegadon.]

⁹ We refer here to clauses 9.1.1 through 9.1.5, and not to remaining clauses 9.1.6 and 9.1.7.

¹⁰ In this respect, the CCPC 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" (2005). 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 transaction, whereby Newsread Limited would acquire the wholesale stationery business of Hegadon 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