DETERMINATION OF MERGER NOTIFICATION M/15/063 - POSTERSCOPE/POSTER MANAGEMENT

Section 21 of the Competition Act 2002

Proposed acquisition by Posterscope Ireland Limited of sole control of each of Poster Management Ireland Limited and Poster Management (N.I.) Limited.

Dated 22 December 2015

Introduction

1. On 13 November 2015, in accordance with section 18(1) of the Competition Act 2002, as amended[1] ("the Act"), the Competition and Consumer Protection Commission (the "Commission") received a notification of a proposed transaction whereby Dentsu Aegis Network ("Dentsu"), through its wholly-owned subsidiary Posterscope Ireland Limited ("Posterscope Ireland"), would acquire 95% of the issued share capital of each of Poster Management Ireland Limited ("Poster Management IRL") and Poster Management (N.I.) Limited ("Poster Management NI") (together the "Target Companies") leading to the acquisition by the Purchaser of sole control of the Target Companies.

The Proposed Transaction

2. Under the provisions of a Share Purchase Agreement, executed by Pinto Company, Balsara Limited, Christopher James Cashen, Anne Cashen (together the "Vendors") and Posterscope Ireland on 10 November 2015, Dentsu through Posterscope Ireland will acquire 95% of the issued share capital of the Target Companies and thus sole control of the Target Companies.

3. Currently Dentsu, the parent company of Posterscope Ireland, owns 5% of the Target Companies through its wholly-owned subsidiary The Outdoor Life Limited. Following

[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.

the proposed transaction, Dentsu will hold 100% of the share capital of the Target Companies.

The Undertakings Involved

Dentsu

4. Posterscope Ireland, a private limited company, is a wholly-owned non-trading subsidiary of Dentsu.[2] Dentsu, headquartered in London, is a leading global media and digital communications group employing 23,000 people in 110 countries worldwide. In the State, Dentsu operates four brands employing 130 staff that provide the following services to customers in the State: digital creative execution; media planning and buying; brand tracking; social media activation; web experiences; mobile applications; digital marketing; and marketing analytics.[3]

5. The four brands operated by Dentsu in the State are:

- Carat, an independent media planning and buying specialist active in digital and non-traditional media solutions.
- iProspect, a digital performance network providing campaign management processes and campaign strategies for advertisers.
- Isobar, which supplies creative solutions to a wide spectrum of customers using in-house creative and development teams.
- Vizeum, an integrated media and communications buying agency that uses the creative power of media to connect brands and consumers.

6. For the financial year ending 31 March 2015, Dentsu's worldwide turnover amounted to €33.4 billion, of which €[…] was generated within the State.

The Target Companies

7. Both of the Target Companies are specialists in the provision of out of home ("OOH") communications services and are active in the planning and execution of OOH advertising campaigns throughout the island of Ireland. Poster Management IRL is a private limited company registered in Ireland with its offices located in Dublin. It is one

[2] Posterscope is a global brand owned by Dentsu which specialises in out of home ("OOH") advertising solutions. However it does not offer any services on the island of Ireland.

[3] Globally, Dentsu is made up of nine network brands - Carat, Dentsu, Dentsu media, iProspect, Isobar, mcgarrybowen, MKTG, Posterscope and Vizeum.

of the leading OOH specialists in the State and is active in all aspects of the planning and buying of out of home media on behalf of media agencies, media independents, advertising agencies and advertisers. Poster Management NI, which was established in 1988 to cater for clients in the island of Ireland and the UK, is based in Belfast and offers the same range of expertise and services as Poster Management IRL.

8. As part of their offering to clients, both Poster Management IRL and Poster Management NI provide the following services on the island of Ireland:

- AmbientPlus provides expertise to clients to use ambient OOH formats effectively.
- Poster Audit Bureau carries out monitoring of OOH panels.
- The iQ service provides insights into the OOH medium and matches audience to formats.
- Pinpoint is a geo-demographic mapping system which assists in planning and targeting of campaigns.
- PPR is a site quality rating system which ensures campaigns all meet a minimum level of quality.
- Centum grading is an in-house panel providing an expert view on the suitability of the design of a campaign for the OOH environment.
- Posterwatch provides information on the OOH market in Ireland.
- Poster Impact provides research into the effectiveness of OOH media in Ireland.
- Source Out Of Home is a structure that allows conflicting business to be handled within the Target Companies from separate offices and by separate client service teams.

9. For the financial year ending 31 December 2014, the Target Companies generated worldwide turnover of approximately €[…], of which €[…] was attributable to customers located within the State.

Rationale for the Proposed Transaction

10. The parties state in the notification:

> *"Dentsu considers that the Proposed Transaction presents it with the opportunity to enter the specialist outdoor advertising agency market in Ireland and Northern Ireland."*

Third Party Submissions

11. No submission was received.

Competitive Analysis

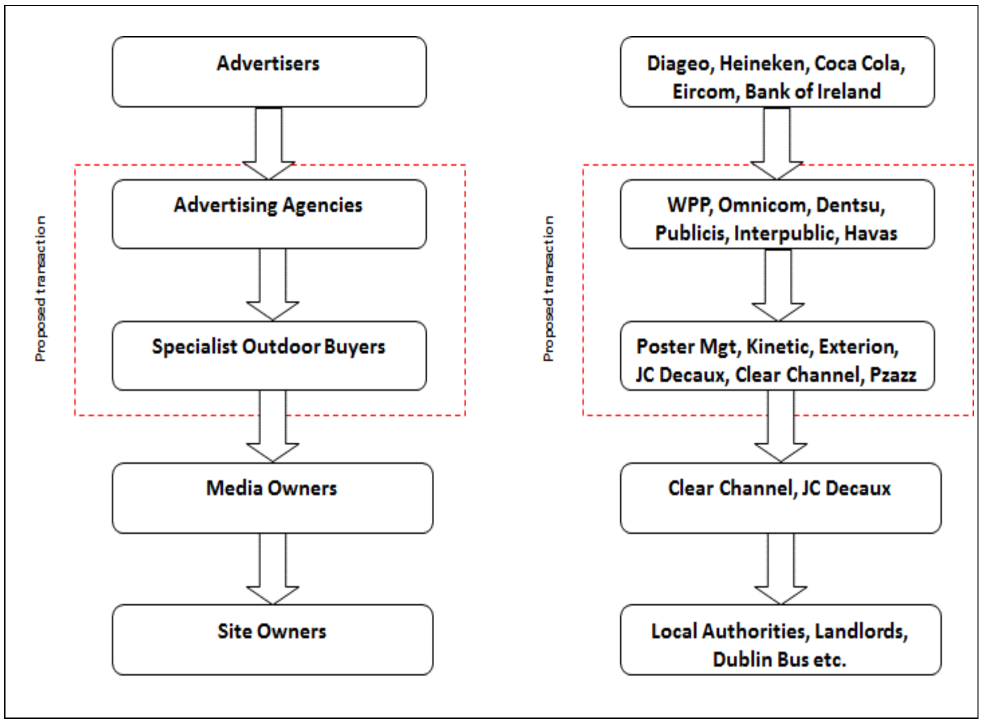
12. The Commission defines markets to the extent necessary depending on the particular circumstances of a given case. In this case it is not necessary for the Commission to define precise relevant product or geographic markets since the Commission's review of the competitive effects of the proposed transaction would be the same irrespective of the precise product or geographic market definition. However, in order to determine whether the proposed transaction might result in a substantial lessening of competition, the Commission analysed its impact by reference to a number of possible product markets in the supply chain for OOH advertising in the State.

13. Figure 1 presents an illustrated overview of the supply chain for OOH advertising in the State. As indicated in Figure 1, an advertiser typically uses an advertising agency to plan and buy its advertising campaign. The advertising agency uses a specialist OOH buyer for the outdoor advertising component of the campaign. The specialist OOH buyer then purchases space from media owners. Media owners have contracts with site owners to lease the sites on which to place posters.

14. There is no horizontal overlap between the parties in the State: Dentsu operates in the upstream advertising agency segment[4] while the Target Companies are active downstream in the specialist OOH buyers segment.

[4] Dentsu's sole interest in the specialist outdoor buyer's segment in the State is via its existing 5% shareholding in the Target Companies (see paragraph 3 above).

Figure 1: Overview of the Supply Chain for OOH Advertising



15. There is, however, a vertical overlap between the parties.[5] The Target Companies, as OOH specialist buyers in the State and Northern Ireland, act as intermediaries between the advertising agencies (including Dentsu) and the media owners. Post-merger, the merged entity will be a vertically integrated company. Consequently, the Commission has examined the possibility of whether the merged entity might be able to exercise either an input or output foreclosure strategy:[6]

- Input foreclosure occurs when the merged entity harms downstream competitors i.e., in this instance, the Commission has considered whether the merged entity, upon completion of the proposed transaction, could reduce or eliminate the ability

[5] Currently Dentsu, through Carat and Vizeum, is a customer of the Target Companies.
[6] For a detailed discussion on input and output foreclosure see Chapter 5 of the Commission's Guidelines for Merger Analysis - http://www.ccpc.ie/sites/default/files/CCPC%20Merger%20Guidelines_1.pdf.

of competing specialist OOH buyers to acquire media advertising contracts/opportunities.

- Customer foreclosure occurs when the merged entity harms upstream competitors i.e., in this instance, the Commission has considered whether the merged entity, upon completion of the proposed transaction, could reduce or restrict the access of competing advertising agencies to a significant OOH advertising buyer base.

16. In order for either input or output foreclosure to result in a substantial lessening of competition, the merged entity will have to have both: (i) the ability; and, (ii) the incentive to foreclose competitors, downstream or upstream, as a result of the implementation of the proposed transaction. The ability to foreclose competitors requires that the merged entity has market power in one or both markets (i.e. upstream, downstream or both). The incentive to foreclose competitors depends on the expected return to the merged entity from doing so.

17. The Commission's review has concluded that the merged entity is not likely to engage in either input or output foreclosure for the following reasons:

- There are a number of significant competitors in both the advertising agency segment (e.g. WPP, Omnicom, Publicis, Interpublic, Havas) and the specialist OOH buyer segment (e.g. Kinetic, Exterion, JC Decaux, Clear Channel, Pzazz) such that upstream and downstream competitors have sufficient alternatives to the merged entity.

- A number of competitors of the merged entity are also vertically integrated. Kinetic Ireland, which is the second largest specialist OOH buyer in the State behind the Target Companies, is part of the upstream WPP Group. Other competitors, such as JC Decaux, Exterion and Clear Channel, are also substantial media owners and are significant suppliers to the Target Companies and other specialist OOH buyers.

- Advertisers (e.g. Diageo, Kelloggs, Eircom etc.) can and do deal directly with both specialist OOH buyers and media owners, thereby dispensing with the services of an advertising agency or a specialist OOH buyer, thus weakening the ability of the merged entity to control access to advertising opportunities.

- Switching costs between specialist OOH buyers and between advertising agencies are minimal and advertisers are not constrained to using the specialist OOH buyer with which an advertising agency has an established relationship. There is a high degree of substitutability between different advertising agencies and between different specialist OOH buyers, and advertisers regularly switch between advertising agencies and between specialist OOH buyers.

- Entry costs into the specialist OOH buyer segment are relatively low, particularly for large integrated players already operating in other geographic markets such as the UK.

18. In light of the above, the Commission considers that the proposed acquisition will not substantially lessen competition in any market for goods or services in the State.

Ancillary Restraints

19. The Share Purchase Agreement between the parties contains a number of restrictive obligations on the Vendors. None of these restrictive obligations exceeds the maximum duration acceptable to the Commission.[7] Given the particular nature of the proposed transaction, the Commission considers that these obligations are directly related to and necessary for the implementation of the proposed transaction.

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[7] In this respect, the Commission follows the approach adopted by the EU Commission in paragraph 20 of its "Commission Notice on restrictions directly related and necessary to concentrations" (2005). For more information see <http://eur-lex.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, has determined that, in its opinion, the result of the proposed transaction whereby Dentsu Aegis Network, through its wholly-owned subsidiary Posterscope Ireland Limited, would acquire 95% of the issued share capital of each of Poster Management Ireland Limited and Poster Management (N.I.) 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

Gerald FitzGerald

Member

Competition and Consumer Protection Commission