



DETERMINATION OF MERGER NOTIFICATION M/15/075 - KKR/LGC

Section 21 of the Competition Act 2002

Proposed acquisition by KKR & Co. L.P. of sole control of LGC Science Group Limited

Dated 26 January 2016

Introduction

1. On 21 December 2015, in accordance with section 18(1)(a) of the Competition Act 2002, as amended¹ (“the Act”), the Competition and Consumer Protection Commission (the “Commission”) received a notification of a proposed transaction whereby investment funds advised by affiliates of KKR & Co. L.P. (“KKR”) would acquire, through Figaro Bidco Limited (“Bidco”)², sole control of LGC Science Group Limited (“LGC”) and its subsidiaries (collectively, the “Target Group”).
2. The proposed transaction is to be implemented pursuant to:
 - An agreement dated 8 December 2015 (the “Agreement”) between Bidco and (i) Bridgepoint Europe IV (Nominees) Limited (i.e., the “institutional seller”), (ii) a number of management personnel (i.e., the “management sellers”)³ and (iii) Bridgepoint Europe IV ‘A’ L.P., Bridgepoint Europe IV ‘B’ L.P., Bridgepoint Europe IV ‘C’ L.P., Bridgepoint Europe IV ‘D’ L.P., Bridgepoint Europe IV ‘E’ L.P., Bridgepoint Europe IV ‘F’ L.P. and Bridgepoint Europe IV ‘G’ L.P. (“Bridgepoint Funds”); and

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 Bidco is a special purpose vehicle established for the purpose of the proposed transaction.

³ The details of which are set out in a copy of the Agreement supplied by the parties as an annex to the notification form. LGC is currently controlled by Bridgepoint Europe IV (Nominees) Limited, while the management sellers hold minority interests in LGC.



- A sale and purchase deed dated 8 December 2015 (the “SPD”) entered into by Bidco with, among others, LGC Whirlwind Limited, an indirect subsidiary of LGC, and (i) a number of individuals⁴ and (ii) the Bridgepoint Funds.
3. Pursuant to the terms of the Agreement and the SPD, at the time of closing KKR will acquire 100% of the shares in the Target Group.⁵

The Undertakings Involved

KKR

4. KKR is a US-based global investment firm that offers a broad range of alternative asset funds and other investment products to investors. KKR is active in a wide range of sectors, including energy and infrastructure, real estate, growth equity investments and a range of debt and public equity products and services. With over [REDACTED] of assets under management, KKR controls over [REDACTED] portfolio companies employing [REDACTED] people and generating revenues in excess of [REDACTED] annually worldwide and within the State.⁶
5. For the financial year ending 31 December 2014, KKR had a worldwide turnover of approximately [REDACTED] and a turnover in the State of approximately [REDACTED]

LGC

6. LGC is a UK-based group which was founded in 1996 following the privatisation of the Laboratory of the Government Chemist in the UK. Employing more than 2,000 people, LGC is active in the manufacture and distribution of reference materials and proprietary genomic products and the provision of analytical and genomic testing services. LGC operates three divisions: standards; genomics and laboratory; and managed services. In particular, LGC:

⁴ The details of which are set out in a copy of the SPD supplied by the parties as an annex to the notification form.

⁶ KKR is active in Ireland through the following portfolio companies:



- provides over 100,000 reference materials to analytical laboratories, as well as a range of over 40 proficiency testing schemes worldwide;
 - provides forensic science expertise to the UK criminal justice system;
 - hosts two laboratory groups for the Medicines and Health Care Products Regulatory Agency in the UK;
 - is the UK National Measurement Institute for Chemical and Bioanalytical measurement;
 - tests over 6,000 products and supplements each year, ensuring nutrients for athletes are safe;
 - supports the development of drought-resistant crops; and
 - retains the Government Chemist function in the UK, advising policy-makers to ensure there is enforceable and effective regulation to protect consumers.
7. LGC does not have a physical presence in the State but does provide analytical services to customers located within the State. For the financial year ending 31 March 2015, LGC's worldwide turnover was approximately [REDACTED] of which [REDACTED] was generated in the State.

Rationale for the Proposed Transaction

8. The parties state in the notification:

"The Proposed Transaction represents an investment opportunity for KKR which is consistent with its strategy of investing in attractive companies to increase the value of their business with the view of profiting from their eventual sale."

Third Party Submissions

9. No submission was received.



Competitive Analysis

10. There is a horizontal overlap between the parties' activities in the State in the provision of outsourced contracted research and analytical services to the biotechnology and pharmaceutical industries.
11. One of KKR's portfolio companies, PRA Health Sciences ("PRA")⁷, is active as a Contract Research Organisation ("CRO"), providing outsourced clinical development services to the biotechnology and pharmaceutical industries across all phases of drug development. LGC is a specialist laboratory services provider and is active in only two CRO sub-segments, namely: (i) bio-analytical services applied to drugs in development ("BAS"), and (ii) analytical services for chemistry, manufacturing and controls ("CMC").
12. The Commission defines markets to the extent necessary depending on the particular circumstances of a given case. The narrowest potential product markets affected by the proposed transaction are (a) the provision of BAS services; and (b) the provision of CMC services. The narrowest potential geographic market affected by the proposed transaction is the State. The Commission, however, does not need to come to a definitive view on the precise relevant market definition in this instance since its conclusion on the competitive impact of the proposed transaction will be unaffected whether the relevant market is defined:
 - narrowly (e.g., the provision of either BAS or CMC services within the State) since there would be no overlap between the parties' activities because PRA does not provide either BAS or CMC services within the State; or
 - broadly (e.g., the provision of CRO services within the State) since:
 - both PRA and LGC are active in the provision of CRO services in the State to only a limited extent⁸;
 - consequently, the combined market share of PRA and LGC for the provision of CRO services in the State is likely to be minimal;
 - the product offerings provided by PRA and LGC within the CRO market

⁷ Formerly PRA International.

⁸ For the most recent financial year, PRA generated €59,466 total revenue in the State from the provision of CRO services while LGC generated revenue of €490,000 from the provision of both BAS and CMC services to customers located in the State.



- are very different given that PRA is a full-service CRO provider whereas LGC specialises in providing only certain types of CRO services (i.e. BAS and CMC services) which PRA does not currently provide in the State;
- the merged entity will continue to face strong competition from many competitors in the State, including full-service CROs (e.g. Quintiles, Covance (part of Labcorp), Parexel, PPD and ICON) and other specialist CRO service providers (e.g. Charles River Laboratories, Celerion, QPS, WIL Research, Algorithme Pharma, SGS, Intertek, Eurofins and Unilabs).
13. There is no vertical relationship between the parties and the proposed transaction does not raise vertical competition concerns.
14. 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

15. The Agreement referred to in paragraph 2 above contains a number of restrictive obligations on the sellers. These include non-compete and non-solicitation clauses. None of these restrictive obligations exceeds the maximum duration acceptable to the Commission.⁹ The Commission considers these restrictions to be directly related to and necessary for the implementation of the proposed transaction.

⁹ In this respect, the Commission 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://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52005XC0305\(02\)&from=EN](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 investment funds advised by affiliates of KKR & Co. L.P. would acquire, through a special purpose vehicle Figaro Bidco Limited, sole control of LGC Science Group Limited and its subsidiaries 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