

Anticipated acquisition by Nikkei Inc. of The Financial Times Group

ME/6565/15

The CMA's decision on reference under section 33(1) of the Enterprise Act 2002 given on 15 October 2015. Full text of the decision published on 16 November 2015.

Please note that [X] indicates figures or text which have been deleted or replaced in ranges at the request of the parties for reasons of commercial confidentiality.

SUMMARY

1. Nikkei Inc. (**Nikkei**) has agreed to acquire the Financial Times Group (**FTG**) (the **Merger**). In this decision Nikkei and the FTG are together referred to as the **Parties**.
2. The Competition and Markets Authority (**CMA**) considers that the Parties are enterprises which will cease to be distinct as a result of the Merger, that the turnover test is met and that accordingly arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation.
3. The Parties overlap in the supply of publications, including newspapers and magazines, in the United Kingdom (**UK**) and the supply of data services for financial markets to UK customers. The CMA has therefore assessed the impact of the Merger in the supply of newspapers and magazines, and data services in the UK.
4. The CMA found that the Merger will not result in a realistic prospect of a substantial lessening of competition (**SLC**) in the supply of:
 - (a) quality daily newspapers with a focus on economic, financial and business news in the UK;
 - (b) magazines with a focus on economic, financial and business news in the UK; and
 - (c) data services for financial markets to UK customers;

in particular because the Parties offer highly differentiated products and Nikkei, a Japanese media organisation, has a limited presence in the UK.

5. The CMA considers that these reasons, taken together, are sufficient to ensure that the Merger does not give rise to a realistic prospect of an SLC.
6. The Merger will therefore **not be referred** under section 33(1) of the Enterprise Act 2002 (the **Act**).

ASSESSMENT

Parties

7. Nikkei is a Japanese media organisation that publishes the Japanese language daily newspaper, The Nihon Keizai Shimbun, which focuses on business, economics and politics in Japan and Asia Pacific. Nikkei also publishes magazines, books and other titles. In Europe, Nikkei's publications in the English language are limited to The Nikkei Asian Review, which focuses on Asia Pacific business news, and an online-only publication named the Nikkei Real Estate Market Report which reviews Japanese real estate. Nikkei also publishes market research, offers management consultancy services, provides financial market information databases and market indices, and organises business events, mainly in Japan and South East Asia. The turnover of Nikkei in the most recent financial year was £[REDACTED] worldwide and £[REDACTED] in the UK.
8. The FTG is a wholly owned subsidiary of Pearson plc and Pearson Overseas Holdings Limited. The FTG publishes the Financial Times newspaper and a number of finance focused magazines. The FTG also provides specialist services including its own web and applications developer FT Labs, an events business FT Live, the New York Institute of Finance providing training to finance professionals, and a network for corporate leaders, ExecSense. The turnover of the FTG in the last financial year was around £[REDACTED] worldwide and around £[REDACTED] in the UK.

Transaction

9. On 23 July 2015, Pearson plc and Nikkei entered into a sale and purchase agreement for Nikkei to acquire all of the shares in, and sole control of, the FTG which is made up of wholly-owned subsidiaries of Pearson plc and

Pearson Overseas Holdings Limited.¹ The Merger is conditional on CMA clearance.

10. On 1 October 2015, pursuant to section 57(1) of the Act, the CMA wrote to the Secretary of State for Culture, Media and Sport, formally bringing the Merger to his attention as the CMA considered that the Merger may raise public interest considerations under section 58(2A) and (2B) of the Act. On 12 October 2015 the Secretary of State confirmed to the CMA that he had decided not to issue a public interest intervention notice under section 42 of the Act.
11. The Parties informed the CMA that the Merger is also the subject of review by the following national competition authorities:
 - (a) The Irish Competition and Consumers Protection Commission;
 - (b) The German Federal Cartel Office;
 - (c) The Austrian Competition Authorities;
 - (d) The Ukrainian Anti-Monopoly Committee; and
 - (e) The Department of Justice and Federal Trade Commission.
12. At the time of the CMA's decision, the Merger had been cleared in Austria, Germany, Ireland and the USA, and review was ongoing in Ukraine.

Jurisdiction

13. As a result of the Merger, the enterprises of Nikkei and FTG will cease to be distinct.
14. The UK turnover of FTG exceeds £70 million and therefore the turnover test in section 23(1)(b) of the Act is satisfied.
15. The CMA therefore believes that arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation.
16. The initial period for consideration of the Merger under section 34ZA(3) of the Act started on 2 October 2015 and the statutory 40 working day deadline for a decision is therefore 26 November 2015.

¹ The seller's stake in 'The Economist' magazine and its interests in a Russian media business (the publisher of the Vedomosti) are not included in the proposed transaction.

Counterfactual

17. The CMA assesses a merger's impact relative to the situation that would prevail absent the merger (ie the counterfactual). For anticipated mergers the CMA generally adopts the prevailing conditions of competition as the counterfactual against which to assess the impact of the merger. However, the CMA will assess the merger against an alternative counterfactual where, based on the evidence available to it, it considers that, in the absence of the merger, the prospect of these conditions continuing is not realistic, or there is a realistic prospect of a counterfactual that is more competitive than these conditions.²
18. Nikkei submitted that [REDACTED]. The Parties submitted that this may be relevant to a different counterfactual but given the lack of competitive overlap between the Parties' activities, Nikkei submitted that the analysis would be the same on either counterfactual.
19. The CMA did not consider that there was evidence of a realistic prospect of a counterfactual that is more competitive than the prevailing conditions of competition. Accordingly, the CMA considered the prevailing conditions of competition to be the relevant counterfactual.

Frame of reference

20. The CMA considers that market definition provides a framework for assessing the competitive effects of a merger and involves an element of judgement. The boundaries of the market do not determine the outcome of the analysis of the competitive effects of the merger, as it is recognised that there can be constraints on merger parties from outside the relevant market, segmentation within the relevant market, or other ways in which some constraints are more important than others. The CMA will take these factors into account in its competitive assessment.³

Product scope

21. The Parties overlap in the supply of the following products in the UK:
 - (a) Publications, including:

² [Merger Assessment Guidelines](#) (OFT1254/CC2), September 2010, from paragraph 4.3.5. The [Merger Assessment Guidelines](#) have been adopted by the CMA (see [Mergers: Guidance on the CMA's jurisdiction and procedure](#) (CMA2), January 2014, Annex D).

³ [Merger Assessment Guidelines](#), paragraph 5.2.2.

- Newspapers with a focus on economic, financial and business news; and
 - Magazines with a focus on economic, financial and business news.
- (b) Data services for financial markets.

Publications

Newspapers

22. The Parties submitted that the relevant product market is the supply of quality daily newspapers.⁴
23. Nikkei publishes The Nihon Keizai Shimbun, a Japanese daily newspaper, which focuses on business, economics and politics in Japan and Asia Pacific. It supplies the international daily print edition in the UK and it is only published in the Japanese language.
24. The FTG publishes the Financial Times, an English language newspaper covering global business and financial news. The Financial Times is also available online.
25. The evidence gathered by the CMA did not indicate, and the CMA did not receive any submission from the Parties indicating that the frame of reference should be widened beyond quality newspapers from a demand-side and/or supply-side perspective. However, the CMA considered whether the frame of reference could be narrowed further. The Parties both supply daily newspapers covering financial and business news in Japan and Asia Pacific, although the Parties' newspapers are published in different languages (English and Japanese) with the focus of the Financial Times being on global financial news whereas the Nihon Keizai Shimbun is focused on business, economics and politics in Japan and Asia Pacific.⁵
26. For the purposes of its competitive assessment, the CMA has used as a starting point a frame of reference for the supply of quality daily newspapers with a focus on economic, financial and business news.⁶ However, the CMA

⁴ The Parties referred the CMA to the European Commission's decision in M.1455 *Gruner + Jahr/Financial Times/JV* (20/04/1999).

⁵ The CMA considered the European Commission's decision in M.1401 *Recoletos* with respect to differentiating daily newspapers for general information, sports papers and financial newspapers. The decision noted: 'Sport and financial newspapers meet a need for much more focused and specialised information than general information ones, although in some specific cases the dividing line between them may be blurred to a certain extent because of the overlap of some types of information' (paragraph 21).

⁶ The CMA considered the European Commission's decision in M.1455 *Gruner + Jahr/Financial Times/JV* in which the European Commission considered the daily newspaper market from the reader's perspective and stated 'The national daily newspapers can further be divided into different categories on the basis of the content of the newspaper (daily newspapers for general information, sports papers and financial newspapers) or

notes the different focus and content of the Parties' newspapers with Nikkei's products primarily covering Japan and the Asia Pacific region. The CMA considered the closeness of competition between the Parties' newspapers and whether there are closer alternatives available in its competitive assessment. It has also considered whether there are other closer alternatives to the Nihon Keizai Shimbun covering political, finance and business news specific to Japan and Asia Pacific. However, it was not necessary for the CMA to reach a conclusion on the product frame of reference, since, as set out below, no competition concerns arise on any plausible basis.

Magazines

27. The Parties both publish magazines, although, as submitted by the Parties, their publications focus on different topics and cater to different audiences.
28. Nikkei publishes the Nikkei Asian Review in English and a weekly Japanese language magazine, Nikkei Business.
29. The FTG publishes a number of specialist magazines as follows:
 - (a) The Banker – a monthly international financial affairs publication.
 - (b) Money Management – a monthly personal finance magazine.
 - (c) Investors Chronicle – a weekly magazine for private investors.
 - (d) Investment Advisor – a monthly publication for investment advisors.
 - (e) Financial Adviser – a weekly publication for financial advisers.
 - (f) Professional Wealth Management – a monthly wealth management publication.
 - (g) fDi Magazine – a bi-monthly foreign direct investment publication.
30. The Parties submitted that their magazines cater to different audiences. The Nikkei Asian Review offers a summary in English of news focusing primarily on Japan and the Asia Pacific region. The Financial Times' magazines are specialised without any focus on Japan and/or the Asia Pacific Region. The Parties submitted that the combined market shares for magazines in the UK of both companies' publications would have a share of less than [0–5]%.

according to editorial line of the newspaper or the quality of the publication (quality press as opposed to tabloids)' (paragraph 17).

31. For the purpose of our competitive assessment the CMA used, as a starting point, a frame of reference for the supply of magazines with a focus on economic, financial and business news. However, the CMA notes the different focus and content of the Parties' magazines with Nikkei's products primarily covering Japan and the Asia Pacific region. The CMA considered the closeness of competition between the Parties' magazines and whether there are closer alternatives available in its competitive assessment. However, it was not necessary for the CMA to determine conclusively the precise delineation of the product frame of reference, since, as set out below, no competition concerns arise on any plausible basis.

Data services

32. Nikkei provides a database service in the UK called Nikkei Economic Electronic Databank System (NEEDS), which is an economic database of Japanese corporate finance, securities markets, macroeconomics and marketing data used by investment professionals. The Parties submitted that the NEEDS interface is in Japanese only and is focused on Japanese financial markets.
33. The FTG offers digital information services which includes data, news, research and training. The Financial Times data services include:
- (a) MandateWire Europe – providing information on pension funds and institutional investors in Europe.
 - (b) fDI – providing data on companies looking to invest overseas and comparative data on investment locations.
 - (c) Banker Database – providing financial and performance data and contact information for international banks.
 - (d) Analyse Africa – providing macroeconomic data on Africa.
 - (e) Medley Global Advisors – providing macro policy (monetary and fiscal policy and politics which influences the former) intelligence covering the big developed economies and many leading emerging markets.
 - (f) FT Confidential Research – providing research and data services for leading emerging markets, specifically China, ASEAN and Latin America.
34. The CMA has considered the competitive effects of the Merger under a product frame of reference for the supply of data services for financial markets. In its competitive assessment, the CMA has considered whether the Parties' data services compete closely depending on the focus of the data

services product. However, it was not necessary for the CMA to reach a conclusion on the product frame of reference, since, as set out below, no competition concerns arise on any plausible basis.

Conclusion on product scope

35. The CMA assessed the competitive effects of the Merger under the following product frames of reference:
- (a) the supply of quality daily newspapers with a focus on economic, financial and business news;
 - (b) the supply of magazines with a focus on economic, financial and business news; and
 - (c) the supply of data services for financial markets.
36. It was not necessary for the CMA to reach a conclusion on the product frame of reference, since, as set out below, no competition concerns arise on any plausible basis.

Geographic scope

37. The Parties did not make any submissions on the scope of the geographic frame of reference.
38. The Parties supply printed copies of its newspapers and magazines to UK customers on a national basis. Accordingly, for the supply of these products, the CMA considered the competitive effects of the Merger using a geographic frame of reference for the UK.
39. The evidenced gathered by the CMA indicated that the supply of data services occurs on a wider than national basis, perhaps even globally. However, for the purposes of its competitive assessment, the CMA has considered whether the Merger could generate any anti-competitive effects for UK customers.
40. In each case, it was not necessary for the CMA to reach a conclusion on the geographic frame of reference, since, as set out below, no competition concerns arise on any plausible basis.

Conclusion on frame of reference

41. For the reasons set out above, the CMA has considered the impact of the Merger in the following frames of reference:

- (a) The supply of quality daily newspapers with a focus on economic, financial and business news in the UK;
- (b) The supply of magazines with a focus on economic, financial and business news in the UK; and
- (c) The supply of data services for financial markets to UK customers.

Competitive assessment

Horizontal unilateral effects

- 42. Horizontal unilateral effects may arise when one firm merges with a competitor that previously provided a competitive constraint, allowing the merged firm profitably to raise prices or degrade quality on its own and without needing to coordinate with its rivals.⁷ Horizontal unilateral effects are more likely when the merger parties are close competitors.
- 43. The CMA focused its assessment of the Merger on the extent to which it is or may be the case that the Merger has resulted, or may be expected to result, in an SLC in relation to unilateral horizontal effects in the supply of quality newspapers with a focus on economic, financial and business news, magazines with a focus on economic, financial and business news and data services for financial markets.

Publications

- 44. The Parties' publications are differentiated products with each publication catering to a specific audience. The Parties submitted that their activities do not overlap in any meaningful sense, however, there may be a technical overlap between the Parties. Therefore, in this case the CMA has focused on evidence regarding the closeness of competition between the Parties' publications.⁸

Newspapers

- 45. The Parties have submitted that any overlap between their newspaper publications is limited. The sales revenue generated from the international daily print edition of the Nihon Keizai Shimbun in the UK was less than £[REDACTED] million in 2014. Moreover, the Nihon Keizai Shimbun focuses on Japan and Asia and is specifically targeted at Japanese speakers (being published

⁷ [Merger Assessment Guidelines](#), from paragraph 5.4.1.

⁸ [Merger Assessment Guidelines](#), paragraph 5.2.7 & 5.2.15.

in Japanese) whilst the Financial Times newspaper focuses on global business and financial news and is published in English. As a result, the Parties submitted that there are significant differences in the depth of coverage of Japan and Asia Pacific news provided by the two publications.

46. The CMA notes that, although the different languages of the Parties' newspapers represents an element of differentiation, the fact that they are both sold to UK customers means that the Nihon Keizai Shimbun's readership may overlap at least to some extent with the Financial Times newspaper's audience. The CMA notes that [redacted] corporate subscribers (by revenue) to The Nihon Keizai Shimbun also subscribe to the Financial Times newspaper. The two newspapers however [redacted].⁹
47. In relation to content, the CMA notes that the Financial Times newspaper covers Japan and Asia Pacific news as part of its coverage of a broader range of topics. However, the Financial Times newspaper focuses on global business and financial news and it does not cover local Japan and Asia Pacific developments, which The Nihon Keizai Shimbun does.
48. On the basis of the evidence set out above, the CMA therefore considers that the Financial Times Newspaper and The Nihon Keizai Shimbun are highly differentiated and any overlap is limited to a small proportion of the content of both publications.
49. Additionally, the evidence obtained during the course of the CMA's investigation confirmed that there are other publications which are closer alternatives to The Nihon Keizai Shimbun than the Financial Times newspaper. In particular, the Asahi Shimbun is also a Japanese language newspaper which is available in the UK. Both the Asahi Shimbun and The Nihon Keizai Shimbun cover Japanese economic, financial and political news and include analysis of local issues. Therefore, the CMA believes that the Asahi Shimbun is a closer competitor to The Nihon Keizai Shimbun than the Financial Times Newspaper and will continue to impose a competitive constraint on The Nihon Keizai Shimbun post-Merger.

Magazines

50. With regard to the FTG's magazines, the Parties submitted that they could not be considered close competitors since the publications cater to different audiences. In particular, the Nikkei Asian Review offers a summary of Japanese and Asia Pacific news and each of the FTG's magazines are specialised, focusing on specific topics, and without a significant Japan or

⁹ [redacted]

Asia Pacific element. This is supported by the descriptions of the content of each publication provided by the Parties and the copies of the publications provided to the CMA.

Data services

51. The Parties submitted that there is no overlap with respect to the Parties' data services due to their differing geographic focus and differences in the types of information provided. This is supported by the information provided by the Parties regarding the content provided by each data service.¹⁰
52. Additionally, the Parties submitted that the target audiences of Nikkei's NEEDS data service and the FTG's data services are different. This is supported by the lists of the top 10 customers (by revenue) for each data service. [REDACTED]. Each data service is purchased by distinct types of financial firms and organisations and each data service is purchased to meet different requirements.
53. Furthermore, the CMA sought views from third parties on the likely effects of the Merger on competition in the provision of data services. Third parties that responded indicated that they believed that Nikkei's NEEDS data service does not overlap with any of the FTG's data services. Additionally, no third parties foresaw any competition issues arising as a result of the Merger.

Conclusion on horizontal unilateral effects

54. As set out above, the CMA considers that the overlap between the Parties' publications (both newspapers and magazines) and data services is very limited. Accordingly, the CMA found that the Merger does not give rise to a realistic prospect of an SLC as a result of horizontal unilateral effects in relation to the supply of newspapers with a focus on economic, financial and business news, magazines with a focus on economic, financial and business news and data services for financial markets.

Third party views

55. The CMA contacted customers and competitors of the Parties. The majority of respondents did not raise concerns. One third party raised a potential concern about bundling of Nikkei products with Financial Times products. However, the CMA considers that the merged entity would not have the ability or

¹⁰ As referred to in paragraphs 33 & 34 above.

incentive to engage in bundling strategies, given the lack of a large common pool of customers between the products.

56. Other third party comments have been taken into account where appropriate in the competitive assessment above.

Decision

57. Consequently, the CMA does not believe that it is or may be the case that the Merger may be expected to result in an SLC within a market or markets in the United Kingdom.

58. The Merger will therefore **not be referred** under section 33(1) of the Act.

Nelson Jung
Director of Mergers Group
Competition and Markets Authority
15 October 2015