

Completed acquisition by GTCR of PR Newswire

Decision on relevant merger situation and substantial lessening of competition

ME/6619/16

The CMA's decision on reference under section 22(1) of the Enterprise Act 2002 given on 20 June 2016. Full text of the decision published on 22 June 2016.

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. On 16 June 2016, GTCR LLC (**GTCR**), through its subsidiary PWW Acquisition LLC, acquired PR Newswire Europe Ltd¹ and a number of other target companies and assets constituting the PR Newswire business, (**PR Newswire**) (the **Merger**). GTCR and PR Newswire are together referred to as the **Parties**.
2. The Competition and Markets Authority (**CMA**) believes that it is or may be the case that the Parties' enterprises have ceased to be distinct and that the share of supply test is met. The four-month period for a decision has not yet expired. The CMA therefore believes that it is or may be the case that a relevant merger situation has been created.
3. The Parties overlap in the supply of media contact databases (**databases**), media monitoring, media analysis and non-premium newswire distribution. The CMA assessed the impact of the Merger using each of these overlaps as

¹ Including PR Newswire Brazil Ltda, PR Newswire Argentina SA, NotilogPRN Argentina SA, PR Newswire S. de RL de CV, Hors Antenne Holdings SAS, Cyperus SA, PR Newswire Asia Ltd, PRN Business Consulting (Shanghai) Co. Ltd, PRN Delaware Inc, PR Newswire Middle East Ltd, PRNnet (and their subsidiaries) and the PRN India Business (meaning the trade or business of the PR Newswire business, comprising the newswire, public relations, investor relations and related business conducted by UBM plc and its affiliates in India).

a relevant product frame of reference and the UK as the geographic frame of reference in each case.

4. The CMA examined whether the Merger would give rise to horizontal unilateral effects in each of the product frames of reference.
5. In relation to media monitoring, media analysis and non-premium newswire distribution, the CMA found no competition concerns as the merged entity will be constrained by a number of rivals following the Merger.
6. In relation to databases, GTCR conceded that the Merger would meet the phase 1 test for reference. GTCR and PR Newswire (through its Agility business) are two of the three suppliers of full service databases in the UK so GTCR's acquisition of PR Newswire would result in a merger to duopoly. The CMA believes that the Merger gives rise to a realistic prospect of a substantial lessening of competition (**SLC**) in the supply of databases in the UK.
7. The CMA is therefore considering whether to accept undertakings under section 73 of the Enterprise Act 2002 (**the Act**). GTCR has until 27 June 2016 to offer an undertaking to the CMA that might be accepted by the CMA. If no such undertaking is offered, then the CMA will refer the Merger pursuant to sections 22(1) and 34ZA(2) of the Act.

ASSESSMENT

Parties

8. GTCR is a private equity firm that has invested in companies active in media related services, including databases, media monitoring, media analysis and the distribution of press releases. In the UK, it operates primarily through the Gorkana and Cision brands. Gorkana supplies databases, media monitoring and media analysis services and had a UK turnover of £[~~XX~~] million in FY2015. Cision supplies a non-premium wire distribution service, PR Web.
9. PR Newswire is a provider of newswire and other media related services. It provides databases, media monitoring and media analysis services in the UK through its Agility business. PR Newswire also supplies a non-premium wire distribution service called Online Visibility Package (**OVP**). The worldwide turnover of PR Newswire in 2014 was around £[~~XX~~] million, and its UK turnover in 2015 was around £[~~XX~~] million.

Transaction

10. GTCR, through its subsidiary PWW Acquisition LLC, acquired sole ownership and control of PR Newswire through a sale and purchase agreement entered into between PWW Acquisition LLC and UBM plc on 14 December 2015. The Merger was also the subject of a review by the United States' Department of Justice (**DoJ**). The CMA and the DoJ cooperated closely throughout the course of their investigations. After GTCR and the DoJ agreed to file a proposed settlement involving the divestment of the Agility business, the Merger completed on 16 June 2016.

Jurisdiction

11. As a result of the Merger, the enterprises of GTCR and PR Newswire have ceased to be distinct.
12. The Parties overlap, among other things, in the supply of databases. GTCR estimates that the Parties' combined share of supply of databases in the UK is [30–40]% (increment [0–5]%) by value. The CMA therefore believes that the share of supply test in section 23 of the Act is met.
13. The Merger completed on 16 June 2016 and the CMA was informed of the completion on the same day. The four month deadline for a decision under section 24 of the Act is October 16 2016.
14. The CMA therefore believes that it is or may be the case that a relevant merger situation has been created.
15. The initial period for consideration of the Merger under section 34ZA(3) of the Act started on 1 June and the statutory 40 working day deadline for a decision is therefore 26 July.

Counterfactual

16. The CMA assesses a merger's impact relative to the situation that would prevail absent the merger (ie the counterfactual). For completed mergers the CMA generally adopts the pre-merger 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 believes 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

17. In this case, there is no evidence supporting a different counterfactual, and GTCR and third parties have not put forward arguments in this respect. Therefore, the CMA believes the pre-Merger conditions of competition to be the relevant counterfactual.

Frame of reference

18. 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 may take these factors into account in its competitive assessment.³
19. The Parties overlap in the supply of databases, media monitoring services, media analysis services, non-premium newswire services and the distribution of press releases by email and social media.
20. The CMA's approach to the frame of reference is typically to begin with the overlapping products of the parties in the narrowest plausible candidate frame of reference and then to see if this should be widened. The CMA will pay particular regard to demand-side factors (the behaviour of customers and its effects). However, it may also consider supply-side factors (the capabilities and reactions of suppliers in the short-term) and other market characteristics.⁴

Product scope

Databases

21. GTCR submitted that databases involve the provision of access to a contact database of journalists and other influencers and may include additional features such as advanced search, journalists' media requests, and email alerts.

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.

⁴ [Merger Assessment Guidelines](#), section 5.2.

22. GTCR submitted that, consistent with the CMA's recent decision in *GTCR/Gorkana*,⁵ the relevant product market is the supply of databases, either sold on a standalone basis or as part of a package. In that case, the CMA found that the fact that customers sometimes purchase databases as part of a bundle of products does not warrant a wider frame of reference, as a significant proportion of customers purchase databases on a standalone basis, and there are not strong, widespread preferences for bundles.⁶ The CMA also considered whether there was a basis for widening the frame of reference to include other products such as databases of social media influencers, but found that other products were not sufficiently close substitutes to include in the frame of reference.
23. In the present case, the CMA's market testing indicated that this market has not changed materially since its decision in *GTCR/Gorkana*. Some customers expressed a preference for a bundle of products, while others said that they wished to buy standalone services. The CMA found no evidence that other products are sufficiently close alternatives to databases to include in the product frame of reference.
24. The CMA also notes that the Parties overlap in the distribution of press releases by email and social media. In *GTCR/Gorkana* the CMA noted that this service is linked to databases, as it facilitates the circulation of press releases or communications to a targeted group of media influencers, and therefore addressed any competition issues in its databases competitive assessment.⁷ The CMA believes that this approach remains appropriate in the present case.

Media monitoring services

25. GTCR submitted that media monitoring services encompass digital, print and social media monitoring. This involves collating and, in some cases, summarising media coverage according to search terms, such as for references to a specific company or issue.
26. In *GTCR/Gorkana* the CMA concluded that the appropriate product frame of reference was the supply of media monitoring services.⁸

⁵ *GTCR/Gorkana* (Completed acquisition by GTCR Canyon UK Investments Ltd of Gorkana Group Limited), paragraph 52.

⁶ *GTCR/Gorkana*, paragraphs 27–29.

⁷ *GTCR/Gorkana*, paragraph 51.

⁸ *GTCR/Gorkana*, paragraph 52.

27. GTCR submitted that, consistent with the *GTCR/Gorkana* decision, the relevant product market is the supply of media monitoring services, either sold on a standalone basis or as part of a package.
28. In the present case, the CMA's market testing indicated that this market has not changed materially since *GTCR/Gorkana* and, therefore, the CMA believes that media monitoring services remains the appropriate frame of reference.

Media analysis services

29. GTCR submitted that media analysis covers the manual or automatic measurement of traditional and social media, and the subsequent analysis of that data, to produce insights on market sentiment, competitive share of voice and key message delivery.
30. In *GTCR/Gorkana* the CMA concluded that the appropriate product frame of reference was the supply of media analysis services.⁹
31. GTCR submitted that the relevant product market is the supply of media analysis services, either sold on a standalone basis or as part of a package.
32. The CMA's market test indicated that this market has not changed materially since *GTCR/Gorkana* and, therefore, the CMA believes that media analysis services remains the appropriate frame of reference.

Non-premium newswire distribution services

33. GTCR submitted that there exists a premium wire market (often referred to simply as 'wire') and a wider 'Do-It-Yourself' distribution market (which includes search engine optimisation). It said that customers of premium newswire choose to pay for a more expensive service to achieve editorial accuracy, reputational validation and widespread circulation straight to journalists' newsdesks. GTCR submitted that the type of content distributed by premium newswires, such as corporate earnings announcements, is more newsworthy than the types of content distributed through non-premium wire channels.
34. In addition to its premium newswire service, PR Newswire also offers its OVP product, which GTCR said is a low-cost, 'stripped-back' version of PR

⁹ *GTCR/Gorkana*, paragraph 52.

NewsWire's premium wire offering. However, GTCR submitted that OVP should still be considered as a premium newswire service.

35. GTCR submitted that its PR Web product is a search engine optimisation tool, which publishes press releases, but is primarily designed to help make online content more likely to be found. GTCR said that PR Web is therefore highly differentiated from PR Newswire's premium newswire service and also from its OVP product. On this basis, GTCR submitted that there is no overlap between its PR Web and PR Newswire's products.
36. The CMA's market testing supported separate product frames of reference for premium wire distribution (where there is no overlap between the Parties as GTCR is not active) and non-premium wire distribution. Competitors drew a distinction between premium newswire services designed for major corporate and regulatory announcements, and lower cost newswire services designed to increase the visibility of businesses' PR campaigns. These third parties supported a distinction between premium and non-premium newswire distribution.
37. PR Web customers also told the CMA that the service they purchased was a wire service. Furthermore, two close competitors to PR Web said that 'search engine optimisation' was not an appropriate description of their services; rather, they said that they and their competitors offer press release newswires.
38. PR Newswire's premium newswire customers who responded to the CMA's market test said that they valued factors such as high quality editorial services and an around-the-clock service, which are not typically provided as part of a non-premium newswire distribution service. PR Newswire's OVP customers who responded to the CMA's market test said that these were not factors that influenced their choice of supplier.
39. Third parties told the CMA that GTCR's PR Web product overlaps with PR Newswire's OVP product. The CMA notes that this is also confirmed by comments in the Parties' internal documents which identify the relevant competitors to OVP and indicate that it competes for customers looking for a simple online solution at a low price.¹⁰
40. For these reasons, the CMA believes that there is a separate frame of reference in which the Parties overlap which is non-premium newswire distribution services.

¹⁰ Annex 10.11 to the Merger Notice.

Conclusion on product scope

41. For the reasons set out above, the CMA has assessed the impact of the Merger in the following product frames of reference:
 - (a) Databases.
 - (b) Media monitoring services.
 - (c) Media analysis services.
 - (d) Non-premium newswire distribution services.

Geographic scope

42. GTCR submitted that the geographic frame of reference for databases, media monitoring and media analysis is the UK.
43. In *GTCR/Gorkana*, the CMA assessed the Merger in a UK-wide geographic frame of reference, noting that a physical presence in the UK is important for media service providers.¹¹
44. In the present case, competitors told the CMA that a physical UK presence is important for all media service providers, including databases, media monitoring, media analysis and non-premium newswire distribution. The CMA notes that both Parties have physical presences in the UK for all these services.
45. The CMA has received no substantiated evidence from customers or competitors that firms without a UK presence are able to exert a material competitive constraint on UK-based firms, and the CMA has also not seen any evidence pointing to a geographic frame of reference that is narrower than UK-wide.
46. On the basis of this evidence, the CMA believes that the appropriate frame of reference for all products is the UK.

Conclusion on frame of reference

47. For the reasons set out above, the CMA has assessed the impact of the Merger in the supply of databases, media monitoring services, media analysis

¹¹ *GTCR/Gorkana*, paragraphs 54 & 55.

services, and non-premium newswire distribution services (separately) in the UK.

Competitive assessment

Horizontal unilateral effects

48. 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.¹² Horizontal unilateral effects are more likely when the merger parties are close competitors.
49. The CMA assessed whether it is or may be the case that the Merger has resulted, or may be expected to result, in an SLC in relation to horizontal unilateral effects in the supply of databases, media monitoring services, media analysis services, and non-premium newswire distribution services (separately) in the UK.

Horizontal unilateral effects in the supply of databases

50. GTCR conceded that the Merger would give rise to a realistic prospect of an SLC in the supply of databases in the UK, absent the divestment of the Agility business. It said that both GTCR's Gorkana business and PR Newswire's Agility business offer wide coverage databases in the UK. GTCR estimates the Parties' combined share of supply of databases in the UK to be [30–40]%
51. The evidence found by the CMA showed that GTCR and PR Newswire are two of the three suppliers of full service databases in the UK. Third parties were able to identify only one other supplier of a full service database in the UK (Vuelio). Accordingly, the Merger would result in a merger to duopoly.
52. On the basis of this evidence, the CMA believes that the Merger raises significant competition concerns as a result of horizontal unilateral effects in relation to the supply of databases in the UK. Given that the Parties conceded that the Merger gives rise to a realistic prospect of an SLC in this frame of reference, the CMA did not consider it necessary in this case to consider countervailing factors.

¹² [Merger Assessment Guidelines](#), from paragraph 5.4.1.

Horizontal unilateral effects in the supply of media monitoring services

53. In *GTCR/Gorkana*, the CMA did not find a realistic prospect of an SLC in media monitoring in the UK as there were several credible alternative suppliers of these services.
54. The CMA's market testing confirmed that there continue to be a variety of suppliers of media monitoring services in the UK. In particular, several customers identified Meltwater, Kantar/Precise and Vuelio as competitors to the Parties, and customers said that there are a range of smaller competitors which also provide media monitoring services in the UK.
55. No customers raised concerns in relation to media monitoring in the UK.
56. On the basis of this evidence, the CMA believes that the Merger raises no competition concerns in relation to the supply of media monitoring services in the UK.

Horizontal unilateral effects in the supply of media analysis services

57. In *GTCR/Gorkana*, the CMA did not find a realistic prospect of an SLC in media analysis in the UK as there were several credible alternative suppliers of these services and the Parties were not close competitors.
58. The CMA's market testing confirmed that there continue to be a variety of suppliers of media analysis services in the UK, including Kantar/Precise and Meltwater.
59. No third party raised concerns in relation to media analysis in the UK.
60. On the basis of this evidence, the CMA believes that the Merger raises no competition concerns in relation to the supply of media analysis services in the UK.

Horizontal unilateral effects in the supply of non-premium newswire distribution services

61. In order to assess whether the Merger may result in horizontal unilateral effects in the supply of non-premium newswire distribution services, the CMA has considered the closeness of competition between the Parties and competitive constraints from alternative suppliers.

Closeness of competition

62. GTCR submitted that, if the CMA did consider OVP and PR Web to overlap, they should nonetheless be considered to be highly differentiated. In particular, GTCR submitted that PR Web lacks functionality that is found in OVP, including: (i) push-content to journalists; (ii) high-quality editorial support; and (iii) interaction with the client prior to circulation.
63. The Parties' internal documents indicated that PR Web and PR Newswire's OVP compete. In particular, a PR Newswire note says that [X].¹³ Similarly, a PR Web presentation describes PR Web as a competitor to PR Newswire.¹⁴
64. The CMA's market testing found that there is a degree of differentiation between PR Web and OVP. In particular, several customers said that PR Web has less reach than OVP. However, the feedback from customers did not indicate that editorial support was a distinguishing feature.

Competitive constraints

65. GTCR submitted that PR Web and OVP face a wide range of competitive constraints from newswire and 'Do-It-Yourself' press release distribution services.
66. The CMA identified several suppliers of non-premium newswire services, including ResponseSource, RealWire, NeonDrum, PressDispensary and Pressat. The CMA estimates that total UK sales of non-premium newswire services are less than £5 million.
67. The CMA's market testing also indicated that PR Web and OVP face a wide range of competitors. Customers and competitors identified ResponseSource, RealWire and PressDispensary as the principal alternatives to the Parties' products. The vast majority of customers consulted by the CMA were not concerned about the Merger, and several said that there were many alternative suppliers which they could use.
68. Competitors told the CMA that there is some out-of-market constraint both from providers of 'Do-It-Yourself' press release services, which allow customers to increase the online visibility of their press releases, and from niche providers which focus on specific industries or sectors.

¹³ Merger Notice, Annex 10.11.

¹⁴ Merger Notice, Annex 10.3.

69. On the basis of all this evidence, the CMA believes that the Merger raises no competition concerns in relation to the supply of non-premium newswire distribution services in the UK.

Third party views

70. The CMA contacted 64 customers and competitors of the Parties. Several customers raised concerns regarding databases, two customers raised general concerns, and one competitor raised concerns regarding non-premium newswire distribution services. No other third parties raised concerns about the Merger.
71. Third party comments have been taken into account where appropriate in the competitive assessment above.

Decision

72. Consequently, the CMA believes that it is or may be the case that the Merger has resulted, or may be expected to result, in an SLC within a market or markets in the UK.
73. The CMA therefore believes that it is under a duty to refer under section 22(1) of the Act. However, the duty to refer is not exercised¹⁵ whilst the CMA is considering whether to accept undertakings¹⁶ instead of making such a reference. GTCR has until 27 June 2016¹⁷ to offer an undertaking to the CMA.¹⁸ The CMA will refer the Merger for a phase 2 investigation¹⁹ if GTCR does not offer an undertaking by this date; if GTCR indicates before this date that it does not wish to offer an undertaking; or if the CMA decides²⁰ by 4 July that there are no reasonable grounds for believing that it might accept the undertaking offered by GTCR, or a modified version of it.

Sheldon Mills
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Competition and Markets Authority
20 June 2016

¹⁵ Section 22(3)(b) of the Act.

¹⁶ Section 73 of the Act.

¹⁷ Section 73A(1) of the Act.

¹⁸ Section 73(2) of the Act.

¹⁹ Sections 22(1) and 34ZA(2) of the Act.

²⁰ Section 73A(2) of the Act.