

COMPLETED ACQUISITION BY
ELECTRO RENT CORPORATION
OF
MICROLEASE INC.
AND
TEST EQUIPMENT ASSET MANAGEMENT LIMITED
ME/6676/17

MERGER NOTICE
UNDER SECTION 96 OF THE ENTERPRISE ACT 2002

13 APRIL 2017

LATHAM & WATKINS

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United Kingdom

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[LISTS OF ANNEXES OMITTED]

EXECUTIVE SUMMARY

This notification relates to a Share Purchase Agreement dated 15 November 2016 (the “**Agreement**”), which provides for the acquisition by Electro Rent Corporation (“**Electro Rent**”) of the entire issued share capital of Microlease Inc. and Test Equipment Asset Management Limited (together “**Microlease**”, and together with Electro Rent, the “**Parties**”) (the “**Transaction**”). Electro Rent is owned and controlled by funds affiliated with Platinum Equity, LLC (“**Platinum Equity**”), a global investment firm. The Transaction, which is valued at approximately [X], completed on 31 January 2017 and was not subject to any regulatory approvals. A copy of the press release announcing the Transaction is attached as Annex 8.1.

I. THE PARTIES

Electro Rent. Electro Rent, based in Van Nuys, California, United States, is active in the provision of test & measurement equipment (“**TME**”) across the aerospace and defence, telecommunications, industrial, automotive and semiconductor sectors. Electro Rent offers such products for sale (either as new or used equipment), for lease and for rental. In addition, Electro Rent also offers computer products, tablets, servers and related electronics for lease and rental, and provides ancillary services such as outsourced management of employee computers. Electro Rent is owned and controlled by funds affiliated with Platinum Equity, a global investment firm headquartered in Beverly Hills, United States. Electro Rent’s total turnover in FY 2016 was [X], of which only approximately [X] was generated in the UK.¹ Further information regarding Electro Rent’s European operations can be found at: <http://www.electrorent-europe.com/>.

Microlease. Microlease, based in London, United Kingdom, is a global supplier of TME. Microlease offers such products for sale (either as new or used equipment), for lease and for rental (including sub-rental of TME owned by original equipment manufacturers (“**OEMs**”) or asset management customers). Microlease provides asset management services registering, tracking and maintaining asset pools to assist customers acquiring TME, optimising its use and maximising returns after use. Microlease’s total turnover in FY 2016 was [X], of which approximately [X] was generated in the UK. Microlease has offices in 11 countries serving customers in over 100 countries worldwide. Further information regarding Microlease can be found at: <https://www.microlease.com/>.

II. THE TRANSACTION

On 31 January 2017, Electro Rent acquired the entire issued share capital of Microlease Inc. and Test Equipment Asset Management Limited from Lloyds Development Capital and management. As a result, Electro Rent acquired control, within the meaning of section 26 of the Enterprise Act 2002 (the “**Enterprise Act**”), of Microlease. A simplified post-Transaction structure chart is attached as [X]. The Transaction is highly complementary in relation to geographic presence, operations, asset base and customers, and gives Electro Rent access to a best in class management team. The focus of Electro Rent’s activities is in the United States, which represents approximately 80% of its total turnover, whilst approximately [X] of Microlease’s total turnover was generated in Europe. The Transaction creates a leading supplier globally and is anticipated to result in synergies of approximately USD 30 million.

III. OVERVIEW OF TME MARKET

TME is used for testing and measuring electronic devices to validate their performance, including electronic circularity, signal strength and frequency. Testing and measurement forms an essential component of an electronic asset’s lifecycle from design and development, through to production, installation and ongoing development and maintenance. Representative equipment

¹ A USD: GBP exchange rate of 0.6711 has been used to present Electro Rent’s revenue figures in GBP.

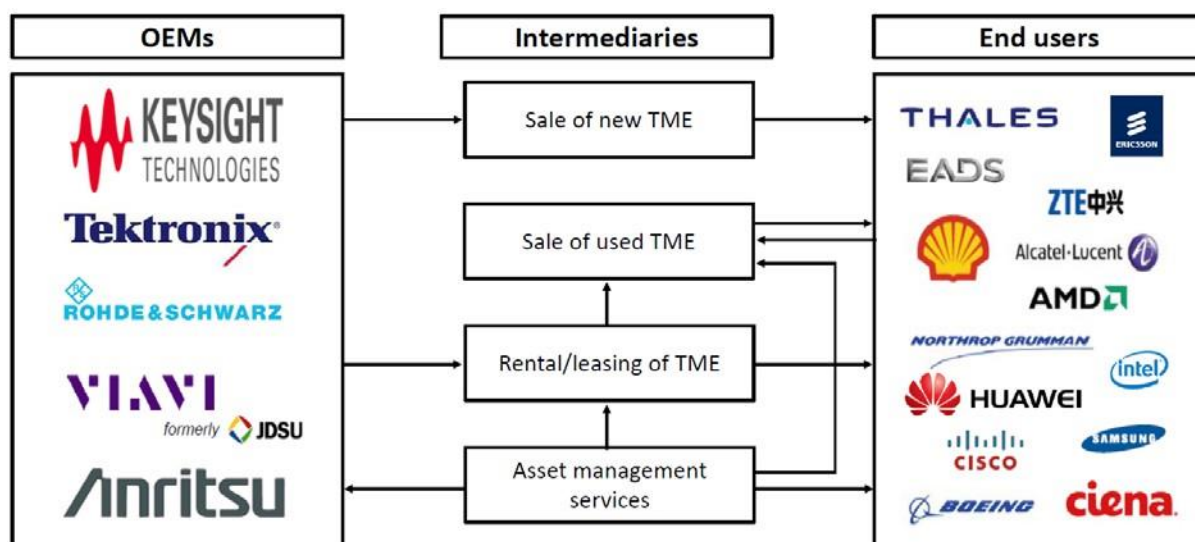
includes oscilloscopes, network analysers, spectrum analysers, radio frequency (RF) power meters, and wireless telecom testers. A description of these products is attached as Annex 12.

Figure 1: Representative TME



TME supply chain. The TME supply chain consists of OEMs, intermediaries and end users (see Figure 2 below). The TME end markets are served by both OEMs and intermediaries. Historically, intermediaries, such as Microlease, acted purely as a distribution channel for OEMs, supplying TME to end markets. More recently, intermediaries have increasingly played a broader role with the development of TME rental/leasing and asset management services. Therefore, intermediaries like Microlease have become direct customers of the OEMs as well as valued service providers.

Figure 2: TME Supply Chain



OEMs. The TME market is served by a diverse group of OEMs, ranging from global operators to smaller, niche manufacturers. Globally, the top five OEMs of TME are Keysight, Danaher, Rohde & Schwarz, Viavi (formerly JDSU) and Anritsu, which, according to the Parties’ estimate, account for over 60% of global TME supply. These OEMs are also the top five in the UK. The remaining supply is accounted for by a large number of smaller OEMs, highlighting the fragmented nature of the sector.

Intermediaries. Intermediaries include a wide range of distributors of new and used equipment, rental providers and related service providers. For new equipment, OEMs operate an integrated service model which includes selling their equipment directly to core global clients, selling their high value equipment through distribution agreements often on an exclusive basis, and selling medium to lower value equipment through a network of non-exclusive distributors. For used equipment, intermediaries often sell their own equipment where it approaches the end of its rental lifespan. In relation to rental/leasing, intermediaries purchase TME from OEMs and build up a pool

of assets to rent/lease to end-users. Intermediaries active in the UK include Microlease, Seaward, Electro Rent, Test Equipment Solutions, EMC Hire, First Rental, Instruments 4 Hire, Inlec, Interlligent, and many others.

End-users. TME is used by all electronics related industry sectors, but there are three main categories of end users: (i) telecommunications (“**telecoms**”); (ii) aerospace and defence (“**A&D**”); and (iii) industrials/information technology (“**infotech**”). The telecoms sector includes equipment manufacturers, installation and commissioning providers. The A&D sector includes commercial aviation, commercial satellites, and various defence sub-sectors. Infotech includes semiconductor technology used in automotive, transportation, oil & gas, broadcast & media and general electronics applications. Globally, the largest end-user sector is A&D with a volume share of approximately 44%, with telecoms and infotech accounting for 34% and 22%, respectively. The relative size of the end-user sectors is similar in the UK TME market.

IV. RELEVANT MARKETS AND COMPETITIVE ANALYSIS

A. The Parties’ Areas of Overlap

In the UK, the Parties overlap in relation to: (i) the sale of new TME; (ii) the sale of used TME; and (iii) the rental/leasing of TME. For the sake of clarity, the Parties do not overlap in relation to TME services, as Microlease only provides asset management services, whilst Electro Rent provides other services, such as recoveries of delivery, and TME handling and repairs for rental customers, and does not provide asset management services. Please note that neither Party provides calibration services to third parties. Electro Rent does not perform any calibration in the UK, whether in-house or otherwise. The in-house calibration and repair undertaken by Microlease at the premises in Harrow is not provided as a service to customers. The Parties consider that the relevant frame of reference should be the supply of TME (irrespective of the form of purchase), given that different forms of purchase are substitutes both on the demand and the supply side and therefore act as important constraints on one another, as explained in response to question 15 below. Without prejudice to their views on the relevant markets, the Parties note that their principal area of overlap relates to the rental/leasing of TME. Approximately [X] of Electro Rent’s UK turnover was generated from the rental/leasing of TME and only approximately [X] was generated from the sale of new/used equipment and services. As the Parties’ best estimate of their combined share of supply of each of new equipment, used equipment and services is well below 10%, with the increment from Electro Rent’s activities being less than 1%, this Merger Notice focuses on the overlap in relation to the rental/leasing of TME.

Table 1: The Parties’ UK Turnover by Segment 2016 (GBP Millions)

	Rental	Leasing	New Equipment	Used Equipment	Services	Total
Electro Rent	[X]	[X]	[X]	[X]	[X]	[X]
Microlease	[X]	[X]	[X]	[X]	[X]	[X]

B. The Rental and Leasing of TME

Rental. To the best of the Parties’ knowledge, there is no prior decisional practice of the CMA or its predecessors that is directly relevant to the assessment of the Transaction. There are several recent CMA cases involving the leasing of equipment but these did not deal with any relevant distinction between renting and leasing.² In relation to the rental of TME, agreements can be for a

² See, e.g., Completed acquisition by Survitec Group Limited of the marine safety business of Wilhelmsen Maritime Services A/S, CMA decision of 2 December 2016.

flexible period of time and can be for as little as one week and can extend beyond two years. Microlease's average rental period is [X] but approximately [X] of the Parties' rental income comes from orders that have run for over [X]. Evidence of this statement, as well as the average rental period in the UK, for Electro Rent is attached at Annex 20 to the response to the Section 109 Notice of 23 February 2017. The average rental period is low due to a high quantity of low-value, short-duration orders but which do not make up such a significant proportion of Microlease's revenues. In a rental agreement, no financing is required and customers typically make payments on a monthly basis.³ In addition, ownership does not transfer to a customer in relation to rental agreements.

Leasing. There are two types of lease that are relevant to TME: operating leases and finance leases. Both types of lease are for a fixed period of time and typically for a minimum two-year period. Unlike in rental agreements, penalties apply for early termination (usually payment of all the outstanding charges). Financing is typically/always required for leasing due to the costs involved and customers' desire to spread payments over a period of time. Specifically in relation to operating leases, as with rental agreements, ownership does not transfer at the end of the fixed term. An operating lease has a residual value built into the repayment calculations (this is at least 10% of the original equipment cost or the equivalent value in services, but is often substantially more) and therefore this value and risk is held by the lessor and not discharged through the payments. By contrast, in relation to finance leases, title transfers along with the final payment, as the payments provide for full repayment of the equipment cost and any associated services.

Table 2: Rental vs Leasing

	Flexible/Fixed Term	Minimum Term	Ownership Transfer	Finance
Rental	Flexible	1 week	✗	✗
Operating lease	Fixed Term	2 years	✗	✓
Finance lease	Fixed Term	2 years	✓	✓

Given the Parties' minimal activities in leasing, the sale of new equipment, and the sale of used equipment (with an estimated combined share of supply of less than 6% in each of these segments in the UK), the Parties have focused their responses on their overlap in relation to TME rental. This is a conservative approach, given that both leasing and ownership are substitutes for renting both on the demand and the supply side and therefore act as important constraints on the rental segment.

C. No Substantial Lessening of Competition

The Parties submit that there is no realistic prospect of the Transaction giving rise to a substantial lessening of competition in the UK in relation to the rental of TME for the following reasons:

- ***The Parties' combined share is not high, with a small increment.*** As set out in more detail below, the Parties estimate that their combined share of supply of TME rental in the UK is approximately [X], with an increment of approximately [X] from Electro Rent's activities. The Parties submit that this is not above the level that would usually give rise to concerns in relation to horizontal unilateral effects. In

³ Usually payments are made monthly but the Parties run invoicing more than once per week and any contracts that have closed will be invoiced. Therefore, if an order for one week was placed and delivered, the invoice would be sent shortly after the contract closed. Note that both for rental and leasing, some of Microlease's business, and most of Electro Rent's business, is billed in advance rather than arrears.

accordance with the Parties' best estimates set out above, Electro Rent, which only entered the UK TME rental segment in 2015, is approximately the ninth largest TME rental supplier in the UK. In addition, the small increment resulting from the Transaction indicates Electro Rent's limited presence in the UK and, as discussed in more detail below, there is no reason to believe that Electro Rent competes particularly closely with Microlease and therefore exerts a competitive constraint that is greater than its share of supply.

- ***Electro Rent and Microlease are not close competitors and compete with a range of suppliers.*** The Parties are not close competitors and there is clear evidence that the Parties compete with a range of competitive alternatives, which include other intermediaries, new TME purchase and internal supply (see, for example, paragraph 146 below).
- ***There are numerous alternative suppliers in the UK.*** Post-Transaction there will be at least 18 alternative suppliers of TME in the UK. A description of these competitors is set out in Annex 15.4. Whilst the Parties acknowledge that this includes a number of smaller competitors, they estimate that at least seven remaining competitors had TME revenues in the UK of at least £1 million in 2016 and several, namely Seaward, EMC, MCS, Test Equipment Solutions, First Rental, Instruments 4 Hire and Inlec, which currently generate more TME rental turnover in the UK than Electro Rent. Interlligent, which entered the UK in 2014, is also estimated to generate turnover of around £1 million in the UK.
- ***The Parties compete directly with OEMs and other competitive alternatives.*** Whilst OEMs do not typically have a standard TME rental offering, the Parties are aware of instances when OEMs have offered TME rental to customers. In addition, the supply of new TME places a constraint on the pricing of TME rental. In this regard, the Parties consider that they compete directly with OEMs and that if TME rental prices were increased, customers would switch to purchasing new TME. OEMs compete for customers who might otherwise rent TME by offering significant discounts on the cost of new TME. Attached as [REDACTED] is correspondence sent in the ordinary course of business from Microlease's Chief Executive, Europe, highlighting the need to retain current pricing levels in EMEA due to the competitive constraint imposed by OEMs. The Parties note that this email was sent in February 2016, before the Transaction was in contemplation. Documents prepared in the ordinary course of business, as well as data held by the Parties on the reasons why opportunities are lost also highlight the constraint from OEMs and other competitive alternatives including "internal supply" (e.g., a customer's use of TME it already owns in another country). For example, a review of Microlease's rental pricing identifies a range of competitive alternatives to TME rental including "Purchase", "Use Existing kit" (i.e., "internal supply") and "do nothing". Further details of the Parties' lost opportunities are provided at paragraph 146 below.
- ***Barriers to entry are low.*** As set out in more detail below, barriers to entry for TME rental are low, particularly for suppliers already active in the supply of new TME. Potential suppliers of TME rental have easy access to new TME to build up a pool of rental assets and financing to purchase such assets is also widely available. By way of example, Interlligent, an Israeli-based supplier of TME rental in the UK with one office in London, entered the TME rental segment in 2014 and has built up an estimated share of supply of approximately [REDACTED]% and TME rental revenues of approximately £1 million in this short period of time. This evidences the fact that, should suppliers of TME wish to enter the TME rental segment and establish a competitive position within a short period of time, they are able to do so. It is also notable that Electro Rent itself formally entered the UK TME rental segment in 2015

and has built up an estimated share of supply of [REDACTED]% in less than two years. In addition, to the extent that an OEM is not already offering rental/leasing, it could do so without difficulty.

Many of the competitive dynamics outlined above constitute business risk factors captured in response to disclosure obligations, such as in Electro Rent's annual report (see Annex 8.3, page 9).⁴

V. CONCLUSION

In sum, the Transaction will not give rise to a realistic prospect of a substantial lessening of competition in a market in the UK. Rather, this Transaction is highly complementary in relation to geographic presence, operations, asset base and customers, and gives Electro Rent access to a best in class management team. The merger of Electro Rent and Microlease will create a world leading supplier of TME and asset management services, combining Electro Rent's leading US-centric operations with Microlease's strong European capabilities.

GENERAL INFORMATION

1. **Provide the name and contact details of:**
 - a. **an individual within each of the merger parties**

1. Contact person for Electro Rent:

Allen Sciarillo
Chief Financial Officer
6060 Sepulveda Boulevard
Van Nuys, California, 91411
United States

Telephone: [REDACTED]
E-mail: [REDACTED]

Contact person for Microlease:

Nigel Brown
Global Chief Executive Officer
Unit 1 Waverley Industrial Estate, Hailsham Drive
Harrow, Middlesex, HA1 4TR
United Kingdom

Telephone: [REDACTED]
E-mail: [REDACTED]

⁴ "The equipment rental, leasing and sales business is characterized by intense competition from several large competitors, some of which have access to greater financial and other resources. We face competition from both established entities and new entries in the market. Our global competitors in T&M rental area include McGrath RentCorp, Continental Resources, Inc., Test Equity LLC and Microlease plc. These entities also compete with us in leasing T&M equipment, as do banks, vendors and other financing sources. In equipment sales, we also compete with sales by our suppliers, including Keysight, Anritsu, Rohde and Schwarz and Tektronix, and their distributors. The market for the lease and rental of computers is highly fragmented, and our principal competitors include SmartSource, Rentex, Rentfusion and Vernon Computer Source.

Our competitors engage in aggressive pricing for both rentals and sales. In order to maintain or increase our market share, we may choose, or be compelled, to lower our prices, resulting in decreased revenues and profitability, which could materially and adversely affect our stock price."

- b. any authorised representatives of each of the merger parties**
2. Authorised representatives for Electro Rent/Microlease:
- Jonathan Parker and Alexandra Luchian
Latham & Watkins (London) LLP
99 Bishopsgate
London EC2M 3XF
- Telephone: 020 7710 1000
E-mail: jonathan.parker@lw.com, alexandra.luchian@lw.com
- c. if not already provided in response to (a) and (b), the person(s) submitting the Notice**
3. This Merger Notice is being submitted by Jonathan Parker and Alexandra Luchian of Latham & Watkins (London) LLP above on behalf of Electro Rent Corporation. Written proof of their authorisation to act is attached as Annex 1.
- d. the person to whom the CMA should address any correspondence.**
4. Communications to Electro Rent and Microlease may be addressed to Jonathan Parker and Alexandra Luchian of Latham & Watkins (London) LLP whose contact details are provided above.

THE MERGER SITUATION

2. **Describe the arrangements by which the enterprises will cease/have ceased to be distinct (the merger), including:**
- a. the parties to the merger (the merger parties)**
5. ***Electro Rent.*** Electro Rent, based in Van Nuys, California, United States, is active in the provision of TME across the aerospace and defence, telecommunications, industrial, automotive and semiconductor sectors. Electro Rent offers such products for sale (either as new or used equipment), for lease and for rental. In addition, Electro Rent also offers computer products, tablets, servers and related electronics for lease and rental, and provides ancillary services such as outsourced management of employee computers. Electro Rent is owned and controlled by funds affiliated with Platinum Equity, a global investment firm headquartered in Beverly Hills, United States. Electro Rent's total turnover in FY 2016 was [X], of which only approximately [X] was generated in the UK. Further information regarding Electro Rent's European operations can be found at: <http://www.electrorent-europe.com/>.
6. Electro Rent's premises in the UK are located in Sunbury-on-Thames (Unit 1 Block J, Brooklands Close, Sunbury-on-Thames, Middlesex TW16 7DX). The size of these premises is 7,292 square feet.
7. Given the small size of Electro Rent's UK business, there is no corporate organigram as such. Set out below are details of Electro Rent's UK team, which consists of only seven individuals:
- Operations Manager – 1;
 - Sales Team – 4;

Country	Instruments Available
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
Total	[REDACTED]

Source: Electro Rent

11. Please see Annex 12 to the response to the Section 109 Notice of 17 March 2017 for [REDACTED].

Equipment shipped from outside the UK

12. Electro Rent's total rental revenue derived from all TME exports from Belgium to all other countries in 2016 was [REDACTED].
13. Please see Annex 3 to the response to the Section 109 Notice of 17 March 2017 for Electro Rent's information on the total number of TME products which were moved either into the UK or out of it in 2016. The total number of rental TME products (i) moved into the UK in 2016 was [REDACTED] and (ii) moved out of the UK in 2016 was [REDACTED].

Marketing

14. Electro Rent collects data on visits to its websites but it does not collect data on websites visited directly before or directly after visits to its own websites. Similarly, Microlease only collects information on referring websites (*i.e.*, websites from where a link to Microlease's website was accessed), so it does not have full information on websites visited directly before or directly after visits to its own website.
15. Electro Rent records customer contact data for customers who made purchases in the UK. Electro Rent estimates that it has [REDACTED] such e-mail addresses on record covering the period from [REDACTED] to present.
16. Please see below a summary of the actions taken by Electro Rent to increase its customer base in the UK following its formal entry in 2015:
- 4 June 2015: Electro Rent opened its office in the UK and began to hire a UK team. Electro Rent's related press release is available at: http://www.electrorent-europe.com/location/uk/pdf/1-15_Electro-Rent_UK-office_final.pdf.
 - July 2015: Electro Rent hired Mike Sullivan as UK Business Manager. Mike Sullivan subsequently enlarged Electro Rent's UK team by increasing the sales team to three account managers, two inside salespersons, a warehouse manager and a finance person.
 - 8 September 2015: Electro Rent participated in the European Microwave show (EuMW 2015) in Paris where it held a number of press conferences to launch the opening of its UK office.
 - October 2015: [REDACTED].
 - End of 2015: Electro Rent set up a UK website, available at <http://www.electrorent-europe.com/location/uk/>.

- 11 May 2016: Electro Rent signed a UK distribution agreement with Anritsu. The related press release is available at <http://www.electrorent-europe.com/location/uk/pdf/03-16-Anritsu-Announces-Agreement-with-ElectroRent-final.pdf>.
- 12 May 2016: Electro Rent gave a seminar with its supplier EXFO at the Canadian Embassy in London.
- June 2016: Electro Rent began a marketing campaign to promote the Anritsu distribution through regular mailshots to both the Electro Rent and Anritsu databases. This was followed by a number of summer roadshows where Anritsu and Electro Rent gave talks at a number of locations around the UK.
- 28 September 2016: Electro Rent attended the Sensors & Instrumentation exhibition at the National Exhibition Centre in Birmingham, where it held a number of press meetings.
- 4 October 2016: Electro Rent exhibited at the Euro Microwave Week, where it held a number of press meetings. This led to a request from Fibre Systems Magazine for a special feature.
- October 2016: A four-page profile feature entitled “The test of time” was published in Fibre Systems Winter edition, issue 10.
- 19 October 2016: Electro Rent exhibited at the Embedded Design Show at the Ricoh Arena in Coventry, where it hosted seminars with both Anritsu and Tektronix.
- 31 October 2016: Electro Rent launched a small UK-dedicated Google AdWords campaign as a trial to complement its European campaign.
- January 2017: A dedicated article appeared in Electronics magazine, which was published in the UK. The article can be accessed at page 18 of <http://content.yudu.com/web/69r/0A170s5/ElectronicDecJan2017/flash/resources/index.htm>.

17. Please see Annex 23.1 to the response to the Section 109 Notice of 17 March 2017 for [REDACTED].

UK turnover

18. The total turnover for each financial year between 1 January 2010 and 31 December 2016 of Electro Rent is set out in the table below:

Table 4: Electro Rent UK Turnover FY 2010-2016

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

Source: Electro Rent

19. [REDACTED] are set out in Annex 11.1 to the response to the Section 109 Notice of 23 February 2017. Please see Annex 14.1 to the response to the Section 109 Notice of 17 March 2017 for descriptions of these products.
20. Electro Rent’s UK revenues for the (i) A&D; (ii) telecoms infrastructure; (iii) telecoms industry; and (iv) infotech sectors are set out in the table below (please note that the Parties do not record such data by customer sector and so the data provided below is an approximation):

Table 5: Electro Rent UK Revenues by Sector (GBP)⁵

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Source: Electro Rent

21. **Microlease.** Microlease, based in London, United Kingdom, is a global supplier of TME. Microlease offers such products for sale (either as new or used equipment), for lease and for rental (including sub-rental of TME owned by OEMs or asset management customers). Microlease provides asset management services registering, tracking and maintaining asset pools to assist customers acquiring TME, optimising its use and maximising returns after use. Microlease’s total turnover in FY 2016 was [REDACTED], of which approximately [REDACTED] was generated in the UK. Microlease has offices in 11 countries serving customers in over 100 countries worldwide. Further information regarding Microlease can be found at: <https://www.microlease.com/>.
22. Microlease’s premises in the UK consist of Units 1 and 2, Waverley Industrial Park, Hailsham Drive HA1 4TR, with sizes of 25,000 and 15,000 square feet, respectively.
23. The response to question 3 of the Section 109 Notice of 23 February 2017 applies to, and covers all, Microlease companies active in the UK. For completeness, set out below are further details regarding the activities of the following Microlease entities in the UK, as specified in the annual reports of these companies (see Annexes 9.1 and 9.2 to the response to the Section 109 Notice of 23 February 2017 and Annex 8.3 to the response to the Request for Information of 23 February 2017): (1) Microlease Finance Limited; (2) Livingston Group Limited and Livingston Limited; and (3) Hamilton Hall Consultants Limited. Please note that these subsidiary companies operate from Microlease UK’s premises in Harrow, have no employees of their own, and do not trade independently from Microlease UK.
- Microlease Finance Limited supports the purchasing activities of its parent company, Microlease Limited. Microlease Finance Limited is a private company limited by shares and it is incorporated and domiciled in England and Wales. Its registered office is located at Unit 1, Waverley Industrial Estate, Hailsham Drive, Harrow. Microlease Finance Limited refinances goods with Lombard and HSBC. It enters into contracts with these parties and then recharges the costs to other Microlease group companies. All of Microlease Finance Limited’s business is attributable to the UK.
 - Livingston Group Limited, which is the parent entity of the former Livingston group entities, operates in the UK and owns the Livingston brand. The company charges

⁵ For each calendar year 2014, 2015 and 2016.

brand licence fees to Livingston Limited. Livingston Limited operates in the UK and provides TME for rental, leasing and sale as part of the Microlease Group. Both Livingston Group Limited and Livingston Limited are private companies limited by shares and are incorporated in England and Wales. Both are located at Unit 1, Waverley Industrial Estate, Hailsham Drive, Harrow.

- Hamilton Hall Consultants Limited operates in the UK and supports the operations of its parent company, Microlease Limited, and its subsidiaries, in developing, enhancing and supporting their asset management software. Hamilton Hall Consultants Limited is a private company limited by shares and it is incorporated and domiciled in England and Wales. With the other Microlease UK subsidiaries, it is located at Unit 1, Waverley Industrial Estate, Hailsham Drive, Harrow. Hamilton Hall Consultants Limited's revenue is derived from the sale of licences, support and training in relation to the asset management software called LEO. Hamilton Hall Consultants Limited charges a licence fee to its parent company, Microlease Limited.

24. Please see Annex 3.1 to the response to the Section 109 Notice of 23 February 2017 for a corporate organigram of the UK business of Microlease.

UK, Nordics and MEA Sales Team

25. [X] manages Microlease's sales team for the UK, the Nordics and MEA. Field sales executives who manage customer enquiries and sales in each region report to [X]. [X] supports the Nordics and [X] supports MEA. [X] and [X] handle all customer enquiries and sales opportunities in their respective territories. [X] is supported by a sales application engineer based in the UK, who assists with customer sales enquiries.

Customer Support

26. Microlease's UK customer support team handles post-sales support issues and enquiries received from customers based in the Nordic and MEA regions. None of these territories has specific requirements. Therefore, any member of the team can handle calls.

Credit Control and Finance Support

27. Microlease's UK-based credit control team manages all outstanding debt across Europe. Separate individuals deal with cash collection in different regions based on their language skills. Credit control and cash collection for the Nordics and MEA are managed by the UK-based team.

Customer Orders

28. Customers can place enquiries through:

- Microlease's sales team;
- Telephone;
- E-mail;
- Web.

29. Customers can place orders through:

- Their appointed sales representative within Microlease's sales team;
- E-mail;
- Written order;
- Web.

30. All enquiries are qualified by the sales team and entered onto Microlease's IBM P7 (enterprise resource planning) computer system and/or on Salesforce (Microlease's customer relationship management tool). Once an order is placed, it is then processed and approved for credit, following which the equipment is prepared and dispatched from Microlease's logistics facility in Harrow. The P7 computer system allocates the equipment against the order and, in turn, this triggers the laboratory and logistics team to prepare the equipment for hire. The equipment is then packaged and shipped to the customer through Microlease's designated carrier. Once the equipment is with the customer, no further contact is required, unless the customer has additional support requirements, which are handled by Microlease's UK-based customer support team (as explained above). As the rental period draws to an end, Microlease contacts the customer to help them prepare the equipment for return. Microlease arranges for their freight agent to collect the equipment and return it to Harrow. On receipt, Microlease inspects the equipment and returns it into stock.
31. Overall, there is no difference based on sector, type of product or customer. However, each customer is different and occasionally customers may have a specific requirement for a particular order. For example, individual products may need special packaging if they are to be used in a potentially hostile environment. Microlease is generally able to support these special requirements when they arise.
32. Microlease's back-office services encompass financial arrangements, customer services, marketing and IT systems, each of which is described below.

Financial Arrangements

33. [REDACTED]
34. [REDACTED]

Marketing

35. Microlease's UK marketing team supports all regions through general marketing communications work. For example, all of Microlease's web-based origination is available worldwide. Promotional e-mails and brochures are also made available to support sales efforts in the Nordics and the MEA region.
36. Microlease records customer contact data for customers who made purchases in the UK. Microlease estimates that it has [REDACTED] such e-mail addresses on record covering [REDACTED].
37. Microlease's information regarding referring websites is collected using Google Analytics (a standard tool provided for free), which Microlease understands only collects referral information from non-ranked pages. For this reason, the information collected is irregular and in some cases irrelevant to the business sector. As such, Microlease does not use or analyse this information in the ordinary course of business. However, for the sake of completeness, a report showing the information collected for Microlease's UK website (<https://www.microlease.com/uk/home>) is attached as Annex 5 to the response to the Section 109 Notice of 17 March 2017.
38. Please see Annex 23.2 to the response to the Section 109 Notice of 17 March for [REDACTED].

IT Systems

39. Microlease's IT systems are operated across the entire business and shared by all users. Microlease has an in-house IT operations team that provides support to users and an in-house development team that develops and enhances the IT systems which support Microlease's

Table 7: Microlease Rental Revenue from TME Shipped from Outside the UK in 2016

Country from where TME was shipped	Rental revenue (GBP)
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
Total	[REDACTED]

44. Table 8 below sets out information on the total number of TME products which were moved either into the UK or out of it in 2016 by Microlease. The data in Table 8 below covers movements of TME during its life in the rental inventory (*i.e.*, movements related to (i) the acquisition of TME from suppliers based outside the UK and (ii) the sale or disposal of TME to parties outside the UK are not captured).

Table 8: Microlease Rental TME Movements into/out of the UK in 2016

Reason for Movement	TME Instruments Exported from UK	TME Instruments Imported into UK
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
Total instruments moved	[REDACTED]	[REDACTED]

UK turnover

45. The total UK turnover of Microlease for each financial year between 1 January 2010 and 31 December 2016 is set out in the table below:

Table 9: Microlease UK Turnover FY 2010-2016

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

Source: Microlease

46. [REDACTED] are set out at [Annex 11.2](#) to the response to the Section 109 Notice of 23 February 2017. Please see [Annex 14.2](#) to the response to the Section 109 Notice of 17 March 2017 for descriptions of these products.

b. the type of transaction

47. The Transaction concerns the acquisition by Electro Rent of the entire issued share capital of Microlease.

c. The consideration

48. The Transaction is valued at approximately [X].

d. the key terms

49. A definitive agreement in connection with the Transaction was signed on 15 November 2016, a copy of which is attached as [X]. The Transaction was not subject to any regulatory conditions.

e. the timing

50. Closing of the Transaction took place on 31 January 2017.

f. the strategic and economic rationale for the transaction

51. The Transaction is highly complementary in relation to geographic presence, operations, asset base and customers, and gives Electro Rent access to a best in class management team. The Transaction is anticipated to result in synergies of approximately USD 30 million.

g. whether it is being notified in any other jurisdictions and, if so, whether the merger parties are willing to offer a waiver to support coordination between the CMA and the competition authorities in those jurisdictions, and

52. Closing of the Transaction took place on 31 January 2017 and the Transaction was not notified in any other jurisdiction.

h. the ownership structure pre and post-merger, including any pre-merger links between the merger parties.

53. *Electro Rent.* Electro Rent is owned and controlled by funds affiliated with Platinum Equity, a global investment firm based in Beverly Hills, United States. Electro Rent has no ownership interest in, or other pre-merger links with, Microlease.

54. *Microlease.* Pre-Transaction, Microlease was owned by Lloyds Development Capital and various individual shareholders. Microlease is now owned by Electro Rent. A simplified post-Transaction structure chart is attached as [X].

3. Provide a brief description of the businesses of the merger parties (and, where relevant, their groups).

55. A description of each of the Parties' businesses is provided in response to question 2(a).

4. Provide brief details of any other transactions (merger, acquisition, disposal, joint venture) undertaken by:

a. either of the merger parties in the last two years which involve the products or services in any Candidate Market identified in response to question 13, and

b. both or all merger parties in the last two years (that is, where the merger parties were party to the same transaction).

56. Neither of the Parties has undertaken a transaction, nor have the Parties jointly engaged in any transactions, in any Candidate Market identified in response to question 13 in the UK in the last two years. For the sake of completeness, Microlease completed the acquisition of Livingston Hire, which is currently an indirect subsidiary of Test Equipment Asset Management Limited, in November 2014.
57. Both structurally and operationally, the Livingston business that was acquired in 2014 has been fully integrated into the Microlease UK business.
58. Microlease's UK business has not been integrated into another company. The Livingston business that was acquired in November 2014 has been fully integrated into Microlease.
59. Please see [Annex 4.1](#) to the response to the Section 109 Notice of 23 February 2017 for [✂].
60. [✂]
61. [✂]

Figure 3: [✂]

[✂]

62. The acquisition of Livingston Hire did not affect Microlease's product offering (other than to provide greater depth of inventory). The only change in product offering was the discontinuance of third party calibration services. In particular, there was no change in the rental services offered. Whilst there are no internal documents as such, please see [Annexes 9.1-9.3](#) to the response to the Section 109 Notice of 17 March 2017, containing internal Microlease e-mails (including attachments) regarding the discontinuance of third party calibration services following the Livingston Hire acquisition.

JURISDICTION

5. Explain why:

- a. a relevant merger situation (as per section 23 of the Act) has been created, or**
- b. arrangements are in progress or contemplation which will result in the creation of a relevant merger situation.**

63. Electro Rent acquired control over Microlease within the meaning of section 26 of the Enterprise Act and a definitive agreement was signed to this effect on 15 November 2016. Closing took place on 31 January 2017. As a result of the Transaction, Electro Rent and Microlease have ceased to be distinct enterprises. Microlease's UK turnover is significantly less than £70 million. Therefore, the turnover test set out in section 23(1) of the Enterprise Act is not met. However, without prejudice to their views on the relevant frame of reference, the Parties have a combined share of supply of TME rental in the UK exceeding 25%. Consequently, the Transaction will result in the creation of a relevant merger situation in accordance with section 23(3) of the Enterprise Act.

6. Indicate the annual UK, EEA, and worldwide turnover in the last financial year associated with each of:

- a. the acquirer (including group companies where relevant), and**
- b. the target (if not already provided under question 5).**

64. Each Party's UK, EEA and worldwide turnover in the last financial year is set out below:

Table 10: The Parties' Turnover in 2016

	Electro Rent (£ millions)	Microlease (£ millions)
UK	[X]	[X]
EEA	[X]	[X]
Worldwide	[X]	[X]

Source: The Parties

7. **Explain why the transaction is not subject to the European Union Merger Regulation (EU Merger Regulation), (highlighting whether it is notifiable in the UK by virtue of the 'two-thirds' rule in article 1(2) or 1(3) of that Regulation).**
65. The Transaction is not subject to Council Regulation 139/2004 (the "**Merger Regulation**") as a result of the fact that the turnover thresholds prescribed in Article 1 of the Merger Regulation are not met. The Transaction is not notifiable in the UK by virtue of the fact that each of the Parties achieves more than two-thirds of its aggregate EU-wide turnover in the UK and is only notifiable in the UK on the basis that the share of supply test set out in section 23(3) of the Enterprise Act is met.

SUPPORTING DOCUMENTS

8. **Provide:**
- a. **a press release or report and details of any notifications to listing authorities (for example, for admission to the UK Listing Authority Official List and for admission to trading on the London Stock Exchange) or other documentation evidencing that the merger (or merger proposal) has been made public, and**
66. A copy of the press release announcing the Transaction is attached as Annex 8.1.
- b. **a copy of the documents bringing about the merger situation, including any heads of terms, memorandum of understanding, sale and purchase agreement, business purchase agreement or equivalent. Where these are not in final form, please provide the latest draft and keep the CMA informed of any subsequent changes to the document.**
67. A copy of the Agreement is attached as [X].
- c. **If the offer is subject to the City Code, copies of the Offer Document and Listing Particulars. If these are not yet available, provide copies of the latest drafts and supply the final versions as soon as they are issued.**
68. Not applicable.
- d. **for each of the acquirer and acquirer group (if relevant) and the target (or merger parties in the case of a full merger), the most recent annual report and accounts and last set of monthly management accounts.**
69. Copies of Electro Rent's and Microlease's most recent annual reports are attached as Annex 8.3 and [X], respectively.

70. The annual reports at Annexes 8.3 and [§] consolidate those of all other companies within Electro Rent and Microlease. The only additional annual reports for any other companies within Electro Rent or Microlease which are active in the rental or leasing of TME in the UK are provided at Annex 8.1 to the response to the Section 109 Notice of 23 February 2017 (Electro Rent Europe N.V.), Annex 8.2 to the response to the Section 109 Notice of 23 February 2017 (Microlease Limited, at the time Microlease Plc) and Annex 8.3 to the response to the Section 109 Notice of 23 February 2017 (Livingston Limited).
71. Copies of country-level financial accounts for the UK and EU Electro Rent and Microlease businesses for the last twelve months are attached as Annexes 9.1-9.4 to the response to the Section 109 Notice of 23 February 2017. Please note that the Parties do not produce country-level financial accounts other than in respect of subsidiaries which have a legal obligation to file accounts in their jurisdiction of incorporation.
72. A copy of Microlease’s last set of monthly management accounts is attached as [§]. Please note that Electro Rent has not historically produced formal monthly management accounts.
73. As Electro Rent does not account, and has not accounted, for the UK separately, please see further Annexes 8.1 and 10.1 to the response to the Section 109 Notice of 23 February 2017, being Electro Rent Europe N.V.’s latest annual accounts (FY 2016) and the Electro Rent Europe internal accounts for calendar year 2016, respectively.
74. Copies of (i) Electro Rent Europe N.V.’s internal accounts; and (ii) group management accounts for Microlease for the last twelve months are provided as Annexes 10.1-10.13 respectively to the response to the Section 109 Notice of 23 February 2017 (note that Annex 10.12 to the response to the Section 109 Notice of 23 February 2017 corresponds to Annex 8.5 to this Merger Notice). Please note that Electro Rent does account for the UK separately. Microlease does not produce country-level management accounts.
- e. copies of the most recent business plan of the acquirer and acquirer group (if relevant) and the target (or merger parties in the case of a full merger). Where any horizontal overlap or vertical relationship involves, for example, a specific division or brand of one or both of the merger parties, a business plan for the relevant division or brand should be provided as well.**
75. A copy of Microlease’s most recent business plan is attached as [§]. Please see Annexes 5.1-5.4 to the response to the Section 109 Notice of 23 February 2017 for the source of the statement on page 6 of Annex 8.6 to this Merger Notice that “the total European Test and Measurement (T&M) [market] is split approximately into 85% for new equipment and services, 10% for used equipment and 5% for rental”. Please note that Annex 8.6 is an internal document and it is not supported with any data, and general statements as to Microlease’s competitive position in this document refer to Microlease’s position in Europe, particularly continental Europe. Please note that Electro Rent has not historically produced any business plans.
- 9. Provide copies of any documents (including but not limited to minutes of meetings, studies, reports, presentations, surveys, analyses or recommendations) in either of the merger parties’ possession which:**
- a. have been prepared by or for, or received by, any member of the board of directors (or equivalent body) or senior management or shareholders of either merger party (whether prepared internally or by external consultants), and**
- b. either:**

- i) **set out the rationale for the merger (including but not limited to the benefits of, and/or investment case for, the acquisition), or**
- ii) **assess or analyse the merger with respect to competitive conditions, competitors (actual and potential), potential for sales growth or expansion into new product or geographic areas, market conditions, market shares and/or the price to be paid. This should include but not necessarily be limited to post-merger business plans or strategy (including integration plans and financial forecasts) and Information Memoranda prepared by or for the merger parties and in either of their possession that specifically relate to the sale of the target. If no such Information Memoranda exist, explain what information or document(s) given to any of the merger parties is meant to serve the function of an Information Memorandum.**

Indicate (if not contained in the document itself) the date of preparation and the identity and role of the author(s) within the merger parties or external consultants.

76. Documents responsive to this request are attached as [REDACTED].
77. Please see Annexes 5.1-5.12 to the response to the Section 109 Notice of 23 February 2017 for underlying data in relation to Annex 9.1 to this Merger Notice. Please note that Annex 5.1 to the response to the Section 109 Notice of 23 February 2017 is a Microlease working document from July 2015, with all the original comments and notes. The sources for this working document are Annexes 10.1 and 15.2 to this Merger Notice, as well as Annexes 5.2, 5.3 and 5.4 to the response to the Section 109 Notice of 23 February 2017. Please also note that the forecast figures in Annex 5.8 are revenue projections for 2016 and beyond, rather than actual revenues.
78. Please see Annex 19 to the response to the Section 109 Notice of 23 February 2017 for the underlying data used to produce the revenue by end-market on slide 9 of Annex 9.5 to this Merger Notice and the revenue split in Figure 4 on page 23 of Annex 9.1 to this Merger Notice.
79. In relation to Annex 9.3 to this Merger Notice:
 - This document was produced as part of the Microlease sale process and should therefore be read in this context.
 - The Parties do not have any underlying data available, as Annex 9.3 to this Merger Notice was produced by L.E.K. and the only work product provided to the Parties was Annex 9.3 to this Merger Notice.
 - The statement that [REDACTED] relates to [REDACTED] (see Annex 5.4 to the response to Request for Information of 23 February 2017) [REDACTED].
 - The statement that “Keysight market share gain is based on new generation products, e.g., high spec, high speed oscilloscopes which are products Microlease sell very successfully” relates to Microlease’s Authorised Technology Partner (“ATP”) sales of new Keysight TME in the UK. Sales of such products for Microlease were approximately [REDACTED] and Electro Rent made no such sales in the last financial year (FY 2016).

- The heading at slide 15, including the phrase “mid and high-end T&M equipment”, was selected by the independent consultants, L.E.K. However, the “Typical value of equipment” captures instruments with lower cost. The lower figure for each instrument type represents the average cost for “main units” (excluding accessories, upgrades, modules and plug-ins). Accessories can be provided to rental customers to enable, for example, instruments to connect to the device under test, or the battery to be charged from a vehicle or mains supply. The higher figure for each instrument type provides an indication of the upper range of cost, when accessories, upgrades, modules and/or plug-ins are included.
80. Please see Annexes 15.1-15.24 to the response to the Section 109 Notice of 17 March 2017 for [REDACTED].
81. In addition to the documents referenced in response to question 5.1 of the Section 109 Notice of 23 February 2017, please see Annexes 17.1-17.35 to the response to the Section 109 Notice of 17 March 2017, [REDACTED].
82. As explained in response to question 5.1 of the Section 109 Notice of 23 February 2017, it is difficult to estimate and verify market shares, as there are no publicly reported figures. [REDACTED]
83. Whilst they remain estimates, the share estimates and underlying data provided in this Merger Notice have been compiled in a more thorough and comprehensive manner than was the case for the VDD Report. As outlined in paragraph 144 of this Merger Notice, for each identified TME rental competitor in the UK, the scope of the respective competitor’s TME rental activities (*e.g.*, product range, sectoral coverage, TME brand coverage and service coverage) has been identified based on the respective competitor’s website. The rental revenues of each identified TME rental competitor in the UK have then been estimated as the annual rental revenues likely to be generated from the rental activities identified. Annex 17.36 to the response to the Section 109 Notice of 17 March 2017 provides further details of this exercise, which has been undertaken to develop the UK TME rental share estimates provided in this Merger Notice. [REDACTED]
- 10. Provide:**
- a. **copies of documents (including but not necessarily limited to reports, presentations, studies, analysis, industry/market reports or analysis – including customer research and pricing studies) in either merger parties’ possession and prepared or published in the last two years which set out the competitive conditions, market conditions, market shares, or competitors in the industry or business areas where the merger parties have a horizontal overlap as identified in response to question 12 below.**
84. Copies of such documents for Microlease are attached as [REDACTED] and [REDACTED]. Electro Rent does not have such documents.
- b. **any marketing and advertising strategy documents generated by, or on behalf of, either of the merger parties in the last year and which relate to the product(s) or service(s) where the merger parties have a horizontal overlap as identified in response to question 12 below.**
85. Copies of such documents for Electro Rent and Microlease are attached as [REDACTED] and [REDACTED], respectively.

86. Please see further [Annexes 31.1-31.3](#) to the response to the Section 109 Notice of 23 February 2017 for marketing materials circulated or distributed to clients (or possible clients) to promote the launch of Electro Rent in the UK in 2014/5.

COUNTERFACTUAL AND MARKET DEFINITION

11. **If the notifying parties consider that the CMA should assess the competitive effects of the merger against a counterfactual other than the current or pre-existing competitive situation, please describe that counterfactual and explain why the notifying parties consider it should be used for that assessment.**

87. The Parties consider the appropriate counterfactual against which to assess the Transaction is the current competitive situation.

12. **Describe the product(s) or service(s) and geographic area(s) where the merger parties overlap, where they have a vertical relationship, or where they supply related products/services.**

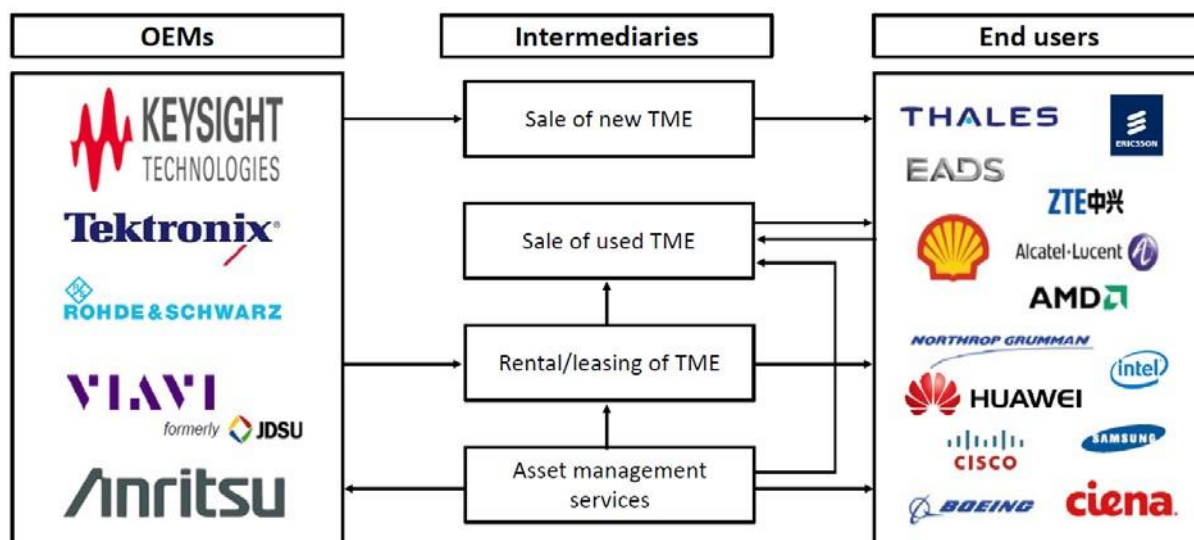
A. Overview of TME Market

88. TME is used for testing and measuring electronic devices to validate their performance, including electronic circularity, signal strength and frequency. Testing and measurement forms an essential component of an electronic asset's lifecycle from design and development, through to production, installation and ongoing development and maintenance. Representative equipment includes oscilloscopes, network analysers, spectrum analysers, radio frequency (RF) power meters, and wireless telecom testers. A description of these products is attached as [Annex 12](#).

Figure 1: Representative TME



89. The TME supply chain consists of OEMs, intermediaries and end users (see figure 2 below). The TME end markets are served by both OEMs and intermediaries. Historically, intermediaries, such as Microlease, acted purely as a distribution channel for OEMs, supplying TME to end markets. More recently, intermediaries have increasingly played a broader role with the development of TME rental/leasing and asset management services. Therefore, intermediaries like Microlease have become direct customers of the OEMs as well as valued service providers.

Figure 2: TME Supply Chain

90. The TME market is served by a diverse group of OEMs, ranging from global operators to smaller, niche manufacturers. Globally, the top five OEMs of TME are Keysight, Danaher, Rohde & Schwarz, Viavi (formerly JDSU) and Anritsu, which, according to the Parties' estimate, account for over 60% of global TME supply. These OEMs are also the top five in the UK. The remaining supply is accounted for by a large number of smaller OEMs, highlighting the fragmented nature of the sector.
91. Intermediaries include a wide range of distributors of new and used equipment, rental providers and related service providers. For new equipment, OEMs operate an integrated service model which includes selling their equipment directly to core global clients, selling their high value equipment through distribution agreements often on an exclusive basis, and selling medium to lower value equipment through a network of non-exclusive distributors. For used equipment, intermediaries often sell their own equipment where it approaches the end of its rental lifespan. In relation to rental/leasing, intermediaries purchase TME from OEMs and build up a pool of assets to rent/lease to end-users. Intermediaries active in the UK include Microlease, Seaward, Electro Rent, Test Equipment Solutions, EMC Hire, First Rental, Instruments 4 Hire, Inlec, Interlligent, and many others.
92. TME is used by all electronics related industry sectors, but there are three main categories of end users: (i) telecoms; (ii) A&D; and (iii) infotech. The telecoms sector includes equipment manufacturers, installation and commissioning providers. The A&D sector includes commercial aviation, commercial satellites, and various defence sub-sectors. Infotech includes semiconductor technology used in automotive, transportation, oil & gas, broadcast & media and general electronics applications. Globally, the largest end-user sector is A&D with a volume share of approximately 44%, with telecoms and infotech accounting for 34% and 22%, respectively. The relative size of the end-user sectors is similar in the UK TME market.
93. Electro Rent's UK rental revenues for the (i) A&D; (ii) telecoms infrastructure; (iii) telecoms industry; and (iv) infotech sectors in FY 2016 are set out in the table below (as above, please note that the Parties do not record such data by customer sector and so the data provided below is an approximation):

Table 11: Electro Rent UK Rental Revenues by Sector in FY 2016

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

Source: Electro Rent

94. Microlease's UK revenues for the (i) A&D; (ii) telecoms infrastructure; (iii) telecoms industry; and (iv) infotech sectors is set out in Annex 11.3 to the response to the Section 109 Notice of 23 February 2017 (please note that the Parties do not record such data by customer sector and so the data provided in Annex 11.3 is an approximation).

B. Horizontal Overlaps

95. As described above, the Parties overlap in relation to the following activities in the UK: (i) the sale of new TME; (ii) the sale of used TME; (iii) the rental/leasing of TME. For the sake of clarity, the Parties do not overlap in relation to TME services, as Microlease only provides asset management services, whilst Electro Rent provides other services, such as recoveries of delivery, and TME handling and repairs for rental customers, and does not provide asset management services. Please note that neither Party provides calibration services to third parties. The in-house calibration and repair undertaken by Microlease at the premises in Harrow is not provided as a service to customers. As is clear from Table 1 below, the Parties' principal area of overlap relates to the rental of TME. In addition, the Parties' best estimate of their combined share of supply of each of new equipment, used equipment and services is well below 10%, with the increment from Electro Rent's activities being less than 1%. Given the Parties' limited share of supply of these products, the Parties respectfully request a waiver from the provision of further information in relation to these products and no such information has been provided in the remainder of this Merger Notice.

Table 1: The Parties' UK Turnover by Segment 2016 (GBP Millions)

	Rental	Leasing	New Equipment	Used Equipment	Services	Total
Electro Rent	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Microlease	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

96. Please note that Table 1, as revised in the response to the Section 109 Notice of 17 March 2017, reflects Microlease's turnover generated through sales to UK customers, whilst the revenue figures presented in the organigram (Annex 3.1 to the response to the Section 109 Notice of 23 February 2017) reflect Microlease's turnover generated by the sales teams represented therein, whether to UK or non-UK customers. For example, Microlease's ATP agreement with [REDACTED] covers the UK and Ireland and so the [REDACTED] sales team also covers Ireland, having generated revenues of approximately [REDACTED] from sales of new TME to customers in Ireland in FY 2016.
97. [REDACTED] Please see Annex 13 to the response to the Section 109 Notice of 17 March 2017 for [REDACTED].

C. Vertical Relationships

98. Electro Rent and Microlease operate at the same level of the supply chain, with no vertical relationships between them in the UK.
13. **Identify (and explain the rationale for identifying):**
- a. **the narrowest candidate product/service and geographic market(s) where the merger parties overlap, and (if the parties have a vertical relationship or supply related products/service(s) the narrowest candidate product/service and geographic market(s) at each level of the vertical supply chain and for each related product/service (the Narrowest Candidate Market(s)).**
 - c. **any other plausible candidate product/service and geographic market(s) where the merger parties overlap, have a vertical relationship, or supply related products / services (together with the Narrowest Candidate Market(s), the Candidate Market(s)).**
99. The Parties consider the narrowest plausible candidate product market to be the rental of TME in the UK. Given the Parties' minimal activities in leasing, the sale of new equipment, and the sale of used equipment (with an estimated combined share of supply of less than 6% in each of these segments in the UK), the Parties have focused their responses on their overlap in relation to TME rental. This is a conservative approach, given that both leasing and ownership are substitutes for renting both on the demand and the supply side and therefore act as important constraints on the rental segment.
100. In relation to the rental of TME, agreements can be for a flexible period of time and can be for as little as one week and can extend beyond two years. Microlease's average rental period is [§] but approximately [§] of the Parties' rental income comes from orders that have run for over [§]. Evidence of this statement, as well as the average rental period in the UK, for Electro Rent is attached at Annex 20 to the response to the Section 109 Notice of 23 February 2017. The average rental period is low due to a high quantity of low-value, short-duration orders but which do not make up such a significant proportion of Microlease's revenues. In a rental agreement, no financing is required and customers typically make payments on a monthly basis⁶. In addition, ownership does not transfer to a customer in relation to rental agreements.
101. There are two types of lease that are relevant to TME: operating leases and finance leases. Both types of lease are for a fixed period of time and typically for a minimum two-year period. Penalties apply for early termination (usually payment of all the outstanding charges). Financing is always required for leasing due to the costs involved and customers' desire to spread payments over a period of time. Specifically in relation to operating leases, as with rental agreements, ownership does not transfer at the end of the fixed term. An operating lease has a residual value built into the repayment calculations (this is at least 10% of the original equipment cost or the equivalent value in services, but is often substantially more) and therefore this value and risk is held by the lessor and not discharged through the payments. By contrast, in relation to finance leases, title transfers along with the final payment, as the payments provide for full repayment of the equipment cost and any associated services.

⁶ Usually payments are made monthly but the Parties run invoicing more than once per week and any contracts that have closed will be invoiced. Therefore, if an order for one week was placed and delivered, the invoice would be sent shortly after the contract closed. Note that both for rental and leasing, some of Microlease's business, and most of Electro Rent's business, is billed in advance rather than arrears.

Table 2: Rental vs Leasing

	Flexible/Fixed Term	Minimum Term	Ownership Transfer	Finance
Rental	Flexible	1 week	✘	✘
Operating lease	Fixed Term	2 years	✘	✓
Finance lease	Fixed Term	2 years	✓	✓

Geographic area

102. The Parties do not possess any analysis produced in the last two years identifying (i) the location from which UK customers of TME rental are supplied or (ii) the location of customers supplied from UK facilities. Whilst Electro Rent's UK facility has the capability to supply UK customers, it has not supplied any customers (whether in the UK or elsewhere) over the past 24 months, and all of Electro Rent's UK rental customers have been supported by Electro Rent's facility located in Belgium over the past 24 months. All products supplied by Electro Rent to UK customers have been sent (*e.g.*, for repair) to, or procured from, Electro Rent's Belgian facility in the last twelve months.
103. There is no minimum spend associated with orders from Electro Rent. The lead time can vary from two days to two months, depending mainly on (i) whether the equipment is in stock, repaired and calibrated, and (ii) customer requirements (*e.g.*, the customer may require the equipment after a certain period of time, even though the equipment could be made available in two or three days). The typical lead time is less than a week, and often considerably shorter. Electro Rent has the capability to supply TME that is in stock to repeat customers for whom credit checks do not need to be re-run within one day. Longer lead times occur when equipment needs to be purchased by Electro Rent before it can be rented to the customer.
104. In relation to the shipment of TME equipment from Belgium, Electro Rent charges shipping costs to customers as a separate item based on the weight and dimensions of the TME shipped (*i.e.*, not as a fixed cost), [✂].
105. There are no transport or other similar restrictions applicable to any TME. All types of TME can be transported to or from the UK without restrictions. For some UK customers, there is a requirement that field/handheld equipment can be plugged into the mains to be PAT-tested (portable appliance test). This is required under certain UK-specific health and safety measures. Rental customers are responsible for ensuring that the equipment they rent is PAT-compliant.
106. To the best of Electro Rent's knowledge, TME products do not need to conform to any different specifications in the UK than in other EU countries.
107. Please see [Annex 1](#) to the response to the Request for Information of 17 March 2017, setting out, as far as Electro Rent is aware, whether certain UK rental competitors store TME in the UK. Electro Rent is not aware of the countries from which competitors not storing (to the best of Electro Rent's knowledge) TME in the UK supply TME to UK customers.
108. Electro Rent does not typically provide next-day delivery to UK customers, but it does operate next-day delivery logistics in the United States. More generally, next-day delivery applies to TME held within a given country. Electro Rent's average delivery time for UK customers of TME rental is 2-4 days for equipment in stock. There is no material difference depending on the sector or particular product.

109. All of Microlease’s UK rental customers are supplied from the UK. Over 90% of Microlease’s UK deliveries are made next-day. There is no material difference depending on the sector or particular product. Microlease’s UK delivery cost varies based on weight, but a typical charge is [REDACTED]. Microlease did not have any TME rental revenues in the UK in the last financial year associated with next-day delivery from a warehouse not located in the UK. Please see [Annex 13](#) to the response to the Section 109 Notice of 23 February 2017 for [REDACTED].
110. TME may be moved in bulk from one location to another based on anticipated demand or when purchased from abroad but these are scheduled, as opposed to next-day, deliveries. A typical shipment cost, usually for ten or more products, is approximately £500. Microlease moves TME between locations in bulk from time to time in order to improve the efficiency of its TME fleet. Please see Table 12 below showing the number of such movements (including instruments moved) between Harrow, UK and other Microlease locations worldwide in calendar year 2016. Microlease holds inventory in four main locations around the world to service each continent. Europe is serviced from Harrow, UK. There are a number of smaller facilities across Europe that hold small inventories but the majority of TME for European customers is held in the UK. Therefore, the vast majority of TME rental shipments across Europe are shipped from the UK. In terms of calibration and repair movements, Microlease does not carry out calibration services on behalf of customers, so no movements for this purpose exist. Microlease’s inventory is calibrated by OEMs where appropriate and in line with the OEM’s specification. To maintain its inventory, Microlease ships TME to the appropriate calibration site designated by the OEM. The TME is shipped back to Microlease once calibration is complete, typically within 10 days.

Table 12: Microlease TME Movements to/from Harrow, UK

[REDACTED]		
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]

Source: Microlease

111. Microlease performs in-house calibration for some of its own rental and used TME. [Annex 7.1](#) to the response to the Section 109 Notice of 17 March 2017 lists the types of TME which Microlease calibrates in-house. Microlease only performs such in-house calibration where it has the technical capability, and where it is commercially viable, to do so. Otherwise, Microlease sends its TME for calibration to either the OEM which manufactured the respective TME or a specialist calibration house, as explained in response to question 16 of the Section 109 Notice of 23 February 2017. Microlease performs in-house calibration in accordance with ISO 10012:2003 Measurement Management Systems, which is the standard calibration requested by the majority of Microlease’s rental customers. Microlease is certified to ISO 9001:2008 Quality Management system at its Harrow office by the British Standards Institution. Microlease is not accredited to ISO 17025:2005 and so Microlease arranges any calibrations to this standard by sending the relevant TME to either accredited OEMs or specialist accredited calibration houses (please see [Annex 17.2](#) to the response to the Section 109 Notice of 17 March 2017 for a list of such accredited providers). The in-house calibration performed by Microlease is exclusive in the sense that it is only performed for its own TME, but the calibration performed could be provided by OEMs or specialist calibration houses.

HORIZONTAL EFFECTS

14. Provide a description of how competition works in each Candidate Market where the merger parties overlap.

Types of tenders and opportunities

112. There is a continuous range of types of purchase from larger formal tenders, where bidders are asked to submit detailed proposals on pricing, which will be subject to negotiation with customers, to very informal opportunities, where a customer calls and asks for a brief quote for the supply of an individual piece of TME. One feature of the less formal approach by customers is that it is not normally clear to the sales person whether another competitor has been asked to bid for the order – this data may emerge later in the sales cycle.
113. As a general rule, the Parties consider that most purchases are made through informal sales channels (*i.e.*, as a result of informal contacts made by customers requesting a quote on price). The initial request may come from an engineer (as end-user of the TME) or from their manager, a project manager or a member of the customer’s purchasing team. The involvement of engineers is often required to clarify whether the product offered will meet the customer’s precise measurement needs. Therefore, the first communication is often a set of technical specifications for the product offered. Once the product can be defined, the enquiry is often transferred to the customer’s purchasing team to negotiate any outstanding matters and to raise a purchase order for the rental period.
114. The Parties do not typically classify sales in a way that would provide a clear means of estimating the proportion of contracts that are won through a formal tender process, but would estimate that only approximately 5% of their contracts have been won as part of a formal bidding process. The remaining contracts have been won as a result of renewals from existing customers, new customers directly approaching the Parties or the Parties pitching their TME offerings to new customers. The table below has been populated with the instances of direct approaches from customers of which Microlease is aware.

Table 13: Contracts that Microlease bid for as a result of direct approaches during the last two years

Tender Customer	Products included in contract	Contract Period	Date of the bid	Names of bidders (if known)	Winner	Reasons for winning contract	Ranking of other bidders	Value of the contract (£)	Incumbent supplier (<i>in order of importance</i>)
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Source: Microlease

115. Where the customer is planning a future project, they may request a rental quotation as part of the financial information required by their company’s planning processes.
116. Microlease [REDACTED].
117. Electro Rent, [REDACTED].

Pricing

118. Microlease does not have UK price lists for TME rental. Prices are negotiated with individual customers. Please see Annexes 5.1-5.6 to the response to Request for Information of 23 February 2017 for price lists negotiated with specific UK customers:

- Annex 5.1 to the response to Request for Information of 23 February 2017 ([REDACTED]):
[REDACTED]
 - Annex 5.2 to the response to Request for Information of 23 February 2017 ([REDACTED]):
[REDACTED]
 - Annex 5.3 to the response to Request for Information of 23 February 2017 ([REDACTED]):
[REDACTED]
 - Annex 5.4 to the response to Request for Information of 23 February 2017 ([REDACTED]):
[REDACTED]
 - Annex 5.5 to the response to Request for Information of 23 February 2017 ([REDACTED]):
[REDACTED]
 - Annex 5.6 to the response to Request for Information of 23 February 2017 ([REDACTED]):
[REDACTED]
119. [REDACTED]
120. [REDACTED] Annexes 6.1-6.5 to the response to the Section 109 Notice of 17 March 2017 provide further detail on Microlease's rental price setting:
- Annex 6.1 is [REDACTED].
 - Annex 6.2 is [REDACTED].
 - Annex 6.3 is [REDACTED].
 - Annex 6.4 is [REDACTED].
 - Annex 6.5 is [REDACTED].
121. Electro Rent does not have price lists specifically for UK customers. Most pricing is negotiated with individual customers at the time of the quote to the customer. Please see [REDACTED] Annex 5.7 to the response to Request for Information of 23 February 2017.
122. Please refer to Annex 5.7 to the response to the Request for Information of 23 February 2017 (Electro Rent Pricing Policy and Guidelines for TME Rentals and Leases) for an explanation of how Electro Rent sets its prices for rental services. As explained in that document, [REDACTED].
123. [REDACTED]

Supplier relationships

124. In terms of agreements with suppliers, preferred equipment services and/or preferred distribution partnership status is obtained by having an appropriate infrastructure to support the promotion and sale of TME. These relationships are not necessarily exclusive. Microlease's ATP agreements with Keysight in the UK, Ireland and Italy are the only exclusive agreements that Microlease has with any OEM. These agreements are attached at Annexes 6.1 and 6.2 to the response to the Section 109 Notice of 23 February 2017. These agreements are for the sale of new Keysight TME only (*i.e.*, the TME covered by these agreements is not rented). Please note that, whilst these agreements are stated to be non-exclusive, in practice Keysight does not appoint more than one ATP in a given territory. The Parties are not aware of the distribution status of the entities listed in Table 18 below and, in any event, these entities are not the principal competitors of Microlease in this segment. The

principal competitors of Microlease in the sale of new TME, which is the subject matter of the ATP agreements, are OEMs such as Rohde & Schwarz, Tektronix and Anritsu.

125. Electro Rent had an ATP agreement with Keysight in the United States, but this agreement expired in June 2015. This agreement was for the United States only and it had no connection with the UK. Electro Rent does not have any exclusive arrangements with any OEM in the UK or any other EU countries. Electro Rent only has a distribution agreement with Anritsu in the UK. Please see [Annexes 14.1 and 14.2](#) to the response to Request for Information of 23 February 2017 showing [REDACTED].
126. Copies of Electro Rent’s supply agreements for products to be rented in the UK and/or Europe are attached as [Annexes 4.1-4.7](#) to the response to the Section 109 Notice of 17 March 2017. These agreements are with the following suppliers:
- [REDACTED], dated 21 November 2012 ([Annex 4.1](#));
 - [REDACTED], dated 1 April 2016 ([Annex 4.2](#));
 - [REDACTED], dated 1 February 2015 ([Annex 4.3](#));
 - [REDACTED], dated 14 April 2014 and as subsequently extended ([Annexes 4.4 and 4.5](#));
 - [REDACTED], dated 1 December 2015 and as subsequently amended ([Annex 4.6](#)); and
 - [REDACTED], dated 1 March 2016 ([Annex 4.7](#)).
127. Key terms in relation Electro Rent’s supply arrangements that have not been formalised into contracts are attached as [Annex 4.20](#) to the response to the Section 109 Notice of 17 March 2017.
128. Copies of Microlease’s supply agreements are attached as [Annexes 4.8-4.19](#) to the response to the Section 109 Notice of 17 March 2017. These agreements are with [REDACTED] and [REDACTED]. For the sake of clarity, Microlease does not have a supply agreement with any other supplier for products to be rented in the UK/Europe.
129. [Annex 4.21](#) to the response to the Section 109 Notice of 17 March 2017 contains the information recorded by Microlease in the ordinary course of business on purchases under supply arrangements that have not been formalised into contracts. Please note that filters have been applied to only show results for purchases of products to be rented.

Customer relationships

130. Electro Rent has [REDACTED] rental customers in the UK. A breakdown of the proportion of Electro Rent customers procuring the supply and rental of TME in the last two years can be found at [Annex 23.1](#) to the response to the Section 109 Notice of 23 February 2017. Please note that customers are under no obligation to procure more than one service. A breakdown of Electro Rent’s rental customers by total spend is set out in the table below.

Table 14: Electro Rent UK Customers by Rental Spend in 2016

[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]

[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]

Source: Electro Rent

131. For the number of Electro Rent rental agreements in the (i) A&D; (ii) telecoms; and (iii) infotech sectors, please see Annex 25.1 to the response to the Section 109 Notice of 23 February 2017.
132. For [REDACTED], please see Annex 25.3 to the response to the Section 109 Notice of 23 February 2017.⁷
133. Please see Annexes 5.1-5.3 to the response to the Section 109 Notice of 17 March 2017 for agreements Electro Rent has with its customers for products to be rented in the UK. These agreements are with [REDACTED] and [REDACTED]. Electro Rent’s payment terms for UK customer relations without a bespoke agreement are generally 30 days from the date of invoice and the relevant territory is the UK, but other terms, such as duration and price, vary by purchase order and by customer. Individual customer purchase orders are not readily available and would take several additional days of FTE time to produce.
134. For the number of Microlease rental agreements in the (i) A&D; (ii) telecoms; and (iii) infotech sectors, please see Annex 25.2 to the response to the Section 109 Notice of 23 February 2017. Microlease has a total of [REDACTED] rental customers in the UK (see Annex 23.3 to the response to the Section 109 Notice of 23 February 2017). [REDACTED] can be found at Annex 23.2 to the response to the Section 109 Notice of 23 February 2017. Please note that customers are under no obligation to procure more than one service. [REDACTED] can be found at Annex 23.3 to the response to the Section 109 Notice of 23 February 2017.
135. Please see Annexes 5.4-5.5 to the response to the Section 109 Notice of 17 March 2017 for agreements Microlease has with its customers for products to be rented in the UK. These agreements are with [REDACTED] and [REDACTED]. Microlease’s UK Terms and Conditions for Rental are available at <https://www.microlease.com/uk/termsandreturns?key=rentalterms> and attached as Annex 5.6 to the response to the Section 109 Notice of 17 March 2017.
136. The Parties have not produced or commissioned any analysis of their customer base and/or customer targets in the last two years. Specifically, the Parties do not have visibility over, or communications with customers in relation to, the customers’ views as regards the considerations listed in the section entitled “Emerging themes in the market” of Annex 9.1 to this Merger Notice and their relative importance. Moreover, these change frequently, as they depend on a variety of factors. Each consideration has different drivers that relate to particular moments in time for a specific engineer, team or laboratory within a customer. For example, a customer may have a capital equipment budget restriction on a project for six months, which will change the prioritisation for that period of time. In addition, the judgement is unlikely to be consistent across a business: for example, [REDACTED] have thousands of engineers worldwide, who may take different views on the considerations listed.

⁷ Please note that it is not possible for Microlease to present [REDACTED] in the time available. The Parties do not record such data by customer sector in the normal course. Microlease has provided full product and customer data showing all the sales records in response to question 3 of the Request for Information of 23 February 2017. Microlease estimates that it would take two analysts approximately 7-10 days to analyse the data provided in order to present them in the form requested. Even so, the resulting split would be imprecise: for example, [REDACTED].

137. Please see Annex 11.1 to the response to the Section 109 Notice of 17 March 2017 for Electro Rent and Annex 11.2 to the response to the Section 109 Notice of 17 March 2017 for Microlease for the fields of information the respective party collects and stores in its customer database (note that this includes fields from each of Salesforce, Microlease’s customer relationship management system, and Pardot, Microlease’s marketing automation tool, which synchronises with Salesforce for marketing e-mails).

“Churn” rates

138. Please see Annex 28 to the response to the Section 109 Notice of 23 February 2017 for underlying data on customer “churn”. Please note that “churn” in this context refers to customers lost entirely, which is rare. Such instances are usually the result of customer consolidation or insolvency. Conversely, it is common that large customers have many engineering sites nationally or globally and that engineers use TME rental periodically or that they use several TME rental providers at the same time or intermittently. However, such instances of switching are not reflected in the “churn”, as the customer (globally) is not lost as long as at least one of their sites or teams continues to use Electro Rent’s TME rental services, even if only intermittently. [§]. Annex 28 to the response to the Section 109 Notice of 23 February 2017 [§].

- 15. For each Candidate Market where the merger parties overlap, explain to what extent the merger may give rise to unilateral effects (see section 5.4 of the Merger Assessment Guidelines), that is, to what extent it is likely to cause loss of competition. Include:**

- a. information on the competitive constraint posed by each of the merger parties on each other, and**
- b. information on the competitive constraint posed by the other principal suppliers in the Candidate Market(s). Include the merger parties’ and each of their principal competitors’ shares of supply (by value and volume) specifying the total market size(s) together with an explanation as to how these are calculated,**
- c. a discussion of the extent to which the merger parties’ products or services are substitutes and any supporting data (including, in sectors in which it is relevant, bidding data).**

I. SHARES OF SUPPLY

139. The Parties are not aware of any third party data source that tracks the TME market and the Parties do not collate this information in the ordinary course of business. Accordingly, the Parties have estimated shares of supply for the TME segment in the UK in accordance with the methodology below. Whilst the Parties consider that the Transaction should be assessed by reference to the TME segment as a whole, for completeness, shares of supply are also provided in relation to specific sub-segments of the supply of TME based on the way in which TME is procured.

- According to a 2014 Analyst Event Presentation by Danaher (an OEM), the 2014 global TME segment size is USD 18 billion, of which 16% arises from sales to the European Union (*i.e.*, USD 2.88 billion). This presentation is attached as [§]. The Parties note that Danaher’s estimate of the global TME segment size could be an underestimate, as it may include only the products within Danaher’s sales portfolio (*i.e.*, TME products not sold by Danaher may not be included in this estimate).
- It is worth noting that it is difficult to assess the size of (i) the total TME market and (ii) the TME rental segment beyond areas that are easily visible, as there are no

publicly reported numbers. Many calculations, such as those in the underlying data to Figure E of Annex 9.1 to this Merger Notice, are estimates which are difficult to corroborate, given the large number of suppliers across different areas. For example, the global market size estimate of approximately USD 12.4 billion used to calculate the estimates in Figure E of Annex 9.1 to this Merger Notice is a Keysight estimate, which was subsequently revised upwards by Keysight to approximately USD 13.5 billion. However, this estimate does not include certain product areas, such as optical test equipment. Other OEMs, such as Danaher, estimate the global market size to be higher, at approximately USD 18 billion (as mentioned above). Similarly, Frost & Sullivan estimate that the TME rental segment represents approximately 7.8% of the European TME market (as mentioned below). Microlease used a more conservative estimate of 5% instead of 7.8% to estimate the size of the TME rental segment at the time when it prepared Annex 9.1 to this Merger Notice. However, a bottom-up approach (described below) suggests that the TME rental segment is more likely to represent approximately 8% of the total TME market. There is no underlying data for this bottom-up approach due to the lack of publicly reported numbers. For example, it is impossible to monitor leasing revenues, as large companies such as General Electric, Siemens or Lombard, have treasury teams that bundle assets together and sell them to leasing providers (including financial institutions), none of which publish data on the leasing of TME.

- According to a 2013 Analysis of the European General Purpose Test Equipment Market by Frost & Sullivan, 17.9% of European Union sales are generated in the UK. This analysis is attached as [REDACTED]. Applying this percentage to the estimated TME segment size for the European Union above, the estimated TME segment size for the UK is USD 515.5 million.
- As the source for the 2014 global TME segment size is dated December 2014, the Bank of England's average spot exchange rate for December 2014 of 1.564 USD: GBP was used. On this basis, the UK TME segment size is estimated to be £329.6 million.
- Accordingly, the UK TME segment size is estimated using the following equation: \$18 billion x 16% x 17.9% x (1/1.564) x 1000 = £329.6 million.
- The Parties' best estimate in terms of breaking down the UK TME segment into Rental, Leasing, New Equipment, Used Equipment and Services (such as asset management) is as follows:

Table 15: Estimated Breakdown of the UK TME Segment, 2016

Segment	Estimated Size (£ million)
Rental	[REDACTED] ⁸
Leasing	[REDACTED]
New Equipment	[REDACTED]
Used Equipment	[REDACTED]

⁸ This figure only includes rental turnover generated by intermediaries and therefore does not include rental turnover generated by OEMs. Accordingly, this may understate total TME rental turnover in the UK.

Segment	Estimated Size (£ million)
Services	[REDACTED]
Total	[REDACTED]

Source: The Parties

140. On the basis of these estimated segment sizes, the Parties' estimated share of supply of each segment is as follows:

Table 16: Estimated Shares of Supply by TME Segment, 2016

Segment	Electro Rent's turnover (£ million)	Electro Rent's share	Microlease's turnover (£ million)	Microlease's share	Combined share	Estimated Size (£ million)
Rental	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Leasing	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
New Equipment	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Used Equipment	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Services	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Source: The Parties

141. Given the Parties' limited sales and shares of supply in relation to TME leasing, the sale of new and used TME and services, the Parties have not provided any further information in relation to these segments in the remainder of this Merger Notice.
142. [REDACTED]
143. [REDACTED]
144. In relation to TME rental, the Parties have set out below estimated shares of supply for their competitors in the UK in 2016. As competitors' TME rental turnover is not publicly available, the Parties have provided estimates for each competitor. This turnover has been estimated as follows: each competitor's website was reviewed to confirm the range of products available for rent, the capital cost of the available rental equipment was estimated and rental earnings from this equipment were estimated. [Annex 17.36](#) to the response to the Section 109 Notice of 17 March 2017 provides further details of this exercise, which has been undertaken to develop the UK TME rental share estimates in Table 17 below (please note that minor amendments have been made to competitors' TME rental turnover estimates, and consequently segment size estimates, in Tables 15-17 as a result of this exercise having been revisited when compiling [Annex 17.36](#) to the response to the Section 109 Notice of 17 March 2017). For certain competitors, the Parties are aware that they are active in the market, but the Parties are unable to estimate these competitors' rental turnover. However, the Parties have included these competitors in the table below for completeness and note that the CMA will be able to request these competitors' rental turnover during its investigation, should it wish to do so.

Table 17: Estimated Shares of Supply of TME Rental in the UK, 2016

Supplier	Estimated rental revenue (£ million)	Estimated share (%)
Microlease	[X]	[X]
Electro Rent	[X]	[X]
Combined	[X]	[X]
Seaward	[X]	[X]
MCS Test Equipment	[X]	[X]
Test Equipment Solutions	[X]	[X]
EMC Hire	[X]	[X]
First Rental	[X]	[X]
Instruments 4 Hire	[X]	[X]
Inlec	[X]	[X]
Interlligent	[X]	[X]
Caltest Instruments	[X]	[X]
Leasametric	[X]	[X]
Instrumex	[X]	[X]
eTest Equipment	[X]	[X]
National Instrument Hire	[X]	[X]
Testwall	[X]	[X]
TICS International	[X]	[X]
Norwich Instrument Services	[X]	[X]
UK Test Limited	[X]	[X]
Total	[X]⁹	100%

Source: The Parties, company annual reports

II. COMPETITIVE ASSESSMENT

145. The Parties submit that there is no prospect of the Transaction giving rise to the realistic prospect of a substantial lessening of competition in the UK in relation to the rental of TME for the following reasons:

- **The Parties' combined share is not high, with a small increment.** As set out in more detail above, the Parties estimate that their combined share of supply of TME rental in the UK is approximately [X]%, with an increment of approximately [X]% from Electro Rent's activities. The Parties submit that this is not above the level that would usually give rise to concerns in relation to horizontal unilateral effects. In accordance with the Parties' best estimates set out above, Electro Rent, which only

⁹ See footnote 8 above.

entered the UK TME rental segment in 2015, is approximately the ninth largest TME rental supplier in the UK. In addition, the small increment resulting from the Transaction indicates Electro Rent's limited presence in the UK and, as discussed in more detail below, there is no reason to believe that Electro Rent competes particularly closely with Microlease and therefore exerts a competitive constraint that is greater than its share of supply.

- ***Electro Rent and Microlease are not close competitors and compete with a range of suppliers.*** The Parties are not close competitors and there is clear evidence that the Parties compete with a range of competitive alternatives, which include other intermediaries, new TME purchase and internal supply (see, for example, paragraph 146 below).
- ***There are numerous alternative suppliers in the UK.*** Post-Transaction there will be at least 18 alternative suppliers of TME in the UK. A description of these competitors is set out in Annex 15.4. Whilst the Parties acknowledge that this includes a number of smaller competitors, they estimate that at least seven remaining competitors had TME revenues in the UK of at least £1 million in 2016 and several, namely [REDACTED], which currently generate more TME rental turnover in the UK than Electro Rent. Interlligent, which entered the UK in 2014, is also estimated to generate turnover of around [REDACTED] in the UK.
- ***The Parties compete directly with OEMs and other competitive alternatives.*** Whilst OEMs do not typically have a standard TME rental offering, the Parties are aware of instances when OEMs have offered TME rental to customers. In addition, the supply of new TME places a constraint on the pricing of TME rental. In this regard, the Parties consider that they compete directly with OEMs and that if TME rental prices were increased, customers would switch to purchasing new TME. OEMs compete for customers who might otherwise rent TME by offering significant discounts on the cost of new TME. Attached as [REDACTED] is correspondence sent in the ordinary course of business from Microlease's Chief Executive, Europe, highlighting the need to retain current pricing levels in EMEA due to the competitive constraint imposed by OEMs. The Parties note that this email was sent in February 2016, before the Transaction was in contemplation. Documents prepared in the ordinary course of business, as well as data held by the Parties on the reasons why opportunities are lost, also highlight the constraint from OEMs and other competitive alternatives including "internal supply" (e.g., a customer's use of TME it already owns in another country). For example, a review of Microlease's rental pricing identifies a range of competitive alternatives to TME rental including "Purchase", "Use existing kit" (i.e., "internal supply") and "do nothing". Further details of the Parties' lost opportunities are provided at paragraph 146 below.
- ***Barriers to entry are low.*** As set out in more detail below, barriers to entry for TME rental are low, particularly for suppliers already active in the supply of new TME. Potential suppliers of TME rental have easy access to new TME to build up a pool of rental assets and financing to purchase such assets is also widely available. By way of example, Interlligent, an Israeli-based supplier of TME rental in the UK with one office in London, entered the TME rental segment in 2014 and has built up an estimated share of supply of approximately [REDACTED]% and TME rental revenues of approximately £1 million in this short period of time. This evidences the fact that, should suppliers of TME wish to enter the TME rental segment and establish a competitive position within a short period of time, they are able to do so. It is also notable that Electro Rent itself formally entered the UK TME rental segment in 2015 and has built up an estimated share of supply of [REDACTED]% in less than two years. In

addition, to the extent that an OEM is not already offering rental/leasing, it could do so without difficulty.

146. The Parties submit that evidence from their internal sales databases, which record the reasons for lost opportunities, provides support for the conclusions above. RBB Economics has prepared a separate paper (Annex 15.3) which analyses data provided by Microlease and Electro Rent regarding lost rental opportunities to supply TME in the UK. That data is used to identify the competitive alternatives to the Parties’ rental offers. Full details of how to replicate those results are provided in the Appendix to this Merger Notice.¹⁰ The key conclusions of the analysis conducted by RBB Economics can be summarised as follows:

- [✂]
- [✂]
- [✂]
- *New and used purchases are an important option for customers.* The analysis includes instances where [✂]
- [✂]
- *In relation to data from Electro Rent,* the coverage of the data means that limited weight can be placed on the results: [✂] In comparison, the Microlease data contains [✂] It should be noted that, in compiling responses to the Section 109 Notice of 17 March 2017, a number of further problems were identified with Electro Rent’s data that further limit the inference that can be drawn from it. These issues are discussed in the Appendix to this Merger Notice.

147. The CMA has asked the Parties to provide information on won tenders as well as providing various data cuts.

- **Microlease win data**
[✂]
[✂]
- **Electro Rent win data**
[✂]
- **Lost tender analysis split by years**

The results of the analysis of the Parties’ lost tenders for UK rentals split by years are provided in Annex 18.1 to the response to the Section 109 Notice of 17 March 2017 (zip folder “The Parties tenders for TM equipment – Stata.zip”). In particular, the results for each year can be found in the “\output\01 18 a) and b) – loss analysis – results\” folder.

¹⁰ The underlying data for the RBB Note (Stata.do files and raw Excel files) are provided in Annex 18.1 to the response to the Section 109 Notice of 17 March 2017 (zip file titled “The Parties tenders for TM equipment – Stata.zip”). The zip file includes the following raw data files relating to lost rental opportunities to supply TME in the UK:

Copies of the generated charts and tables for each Party can be found in [Annex 18.2](#) to the response to the Section 109 Notice of 17 March 2017 (zip file “Microlease – charts and output tables”) and [Annex 18.3](#) to the response to the Section 109 Notice of 17 March 2017 (zip file “Electro Rent – charts and output tables”). In particular, the results for the respective Party can be found in the “\01 Question 18 a) and b)” folder.

As noted, in line with the Section 109 Notice of 23 February 2017, both Parties have prepared tender data for the last two years. In particular, [REDACTED]. Microlease provided [REDACTED]. Therefore, splits are provided [REDACTED] for Electro Rent and [REDACTED] for Microlease.

The Parties do not consider that it would be relevant to distinguish between tenders by year. It should be noted that the sample size becomes materially smaller when splitting the analysis by year. For instance, Microlease [REDACTED]. Similarly, [REDACTED].

- **Lost tender analysis split by sector**

Responses to question 19.i. of the Section 109 Notice of 17 March 2017 are provided in [Annex 18.1](#) to the response to the Section 109 Notice of 17 March 2017 (zip folder “The Parties tenders for TM equipment – Stata.zip”). In particular, the answer can be found in the “\output\03 Question 19” folder.

The raw data providing the sector information for the relevant Microlease and Electro Rent tenders used in RBB’s loss analysis can be found the “\rawdata\Microlease” folder and the “\rawdata\Electro Rent” folder, respectively.

Please note that information on customers’ sectors of activity is only partially held by the Parties and was complemented in some instances by desktop research.

A copy of the generated charts and tables generated for each Party can be found in [Annex 18.2](#) to the response to the Section 109 Notice of 17 March 2017 (zip file “Microlease – charts and output tables”) and [Annex 18.3](#) to the response to the Section 109 Notice of 17 March 2017 (zip file “Electro Rent – charts and output tables”). In particular, the results for the respective Party can be found in the “\03 Question 19” folder. The Parties do not consider that it would be relevant to distinguish between tenders based on customer sectors. The Parties are also of the view that the small sample sizes by category limit the weight than can be placed on these results.

- **Lost tender analysis split by supplier**

Responses to question 19.ii. of the Section 109 Notice of 17 March 2017 are provided in [Annex 18.1](#) to the response to the Section 109 Notice of 17 March 2017 (zip folder “The Parties tenders for TM equipment – Stata.zip”). In particular, the answer can be found in the “\output\03 Question 19” folder. Please note that the same tender can have multiple manufacturers. In each of these cases the tender (and value of tender) has been divided equally among the manufacturers associated with that tender. An equal share is then apportioned to each manufacturer.

The raw data containing the manufacturer information for the relevant Microlease and Electro Rent tenders used in the RBB Note can be found in the “\rawdata\Microlease” folder and the “\rawdata\Electro Rent” folder, respectively.

A copy of the charts and tables generated for each Party can be found in [Annex 18.2](#) to the response to the Section 109 Notice of 17 March 2017 (zip file “Microlease –

charts and output tables”) and [Annex 18.3](#) to the response to the Section 109 Notice of 17 March 2017 (zip file “Electro Rent – charts and output tables”). In particular, the results for the respective Party can be found in the “\03 Question 19” folder. The Parties do not consider that it would be relevant to distinguish between tenders based on the equipment supplier. The Parties are also of the view that the small sample sizes by category limit the weight than can be placed on these results.

- **Lost tender analysis split by duration**

Results of the analysis of the Parties’ lost tenders for UK rentals split by the initially requested duration of the contract for both named competitors and reason are provided in [Annex 18.1](#) to the response to the Section 109 Notice of 17 March 2017 (zip folder “The Parties tenders for TM equipment – Stata.zip”). In particular, the answer can be found in the “\output\03 Question 19” folder.

A copy of the generated charts and tables for each Party can be found in [Annex 18.2](#) to the response to the Section 109 Notice of 17 March 2017 (zip file “Microlease – charts and output tables”) and [Annex 18.3](#) to the response to the Section 109 Notice of 17 March 2017 (zip file “Electro Rent – charts and output tables”). In particular, the results for the respective Party can be found in the “\03 Question 19” folder. The Parties do not consider that it would be relevant to distinguish between tenders based on the duration. The Parties are also of the view that the small sample sizes by category limit the weight than can be placed on these results.

- **Lost tender analysis split by duration**

Responses to question 19.iv. of the Section 109 Notice of 17 March 2017 are provided in [Annex 18.1](#) to the response to the Section 109 Notice of 17 March 2017 (zip folder “The Parties tenders for TM equipment – Stata.zip”). In particular, the answer can be found in the “\output\03 Question 19” folder. As above, the same tender may have numerous product groups. In these cases, the Parties have used the same apportionment mechanism as for question 19.ii of the Section 109 Notice of 17 March 2017.

Please note that the relevant Electro Rent tenders [~~☒~~].

A copy of the generated charts and tables generated for each Party can be found in [Annex 18.2](#) to the response to the Section 109 Notice of 17 March 2017 (zip file “Microlease – charts and output tables”) and [Annex 18.3](#) (zip file “Electro Rent – charts and output tables”). In particular, the results for the respective Party can be found in the “\03 Question 19” folder.

- **Average (mean) actual rental/lease duration by initial order request durations**

The response to this question is provided in [Annex 18.1](#) to the response to the Section 109 Notice of 17 March 2017 (zip folder “The Parties tenders for TM equipment – Stata.zip”). In particular, the answer can be found in the “\output\04 Question 20” folder.¹¹

A copy of the tables generated for each Party can be found in [Annex 18.2](#) to the response to the Section 109 Notice of 17 March 2017 (zip file “Microlease – charts

¹¹ Please note that the Parties prepared tender data for the last two years in response to the Section 109 Notice of 23 February 2017. Therefore, question 20.a.(v) of the Section 109 Notice of 17 March 2017 falls outside the scope of that data.

154. [REDACTED]
155. Electro Rent has not identified any further documents that contain information on the reason why tenders were lost or the competitive alternatives to which they were lost. That information [REDACTED] has been provided in response to question 18 of the Section 109 Notice of 17 March 2017.
- 16. Provide the names and contact details for both merger parties' relevant customers and competitors.**
156. *Electro Rent.* Attached as [REDACTED] are the names and contact details of Electro Rent's largest customers and competitors. As the relevant geographic market is essentially global, Electro Rent has provided a UK-based contact wherever possible.
157. Please see Annex 24.1 to the response to the Section 109 Notice of 17 March 2017 for Electro Rent's customer contact details for UK-based contacts as far as possible, as requested in question 24 of the Section 109 Notice of 17 March 2017. Please note that:
- as per Table 14, Electro Rent only had [REDACTED] customers who spent over £50,000 in 2016, therefore Electro Rent has provided contact details for these [REDACTED] customers in response to question 24.a of the Section 109 Notice of 17 March 2017; and
 - Electro Rent does not have three customers active in Telecoms industrial, three customers active in Telecoms infrastructure, three customers active in Aerospace & Defence and one customer active in another category, each of which spent between £10,000-£50,000 on rental services in 2016. As such, Electro Rent provided contact details for [REDACTED] customers active in Telecoms, [REDACTED] customer active in Aerospace & Defence and [REDACTED] customers active in Infotech (ten customers in total), each of which spent between £10,000-£50,000 on rental services in 2016.
158. *Microlease.* Attached as [REDACTED] are the names and contact details of Microlease's largest customers and competitors. As above, a UK-based contact has been provided wherever possible.
159. Please see Annex 24.2 to the response to the Section 109 Notice of 17 March 2017 for Microlease's customer contact details for UK-based contacts as far as possible, as requested in question 24 of the Section 109 Notice of 17 March 2017.
160. Please note that the Parties provided the most specific contact details (including e-mail addresses) that they could locate (in the case of competitors, from public sources).

BUYER POWER

- 17. For any product(s) (including raw materials) or service(s) which the merger parties both purchase, provide details of the merger parties' ability to obtain more favourable commercial conditions from suppliers as a result of this merger and the effects of any such increased ability on competition on all levels of the supply chain.**
161. [REDACTED]
- 18. Provide contact details for relevant suppliers providing an estimate of the annual value and/or volume of purchases.**
162. Attached as [REDACTED] are the names and contact details of the Parties' largest suppliers of TME.

163. Please see further Annex 14.1 to the response to Request for Information of 23 February 2017 for Electro Rent and Annex 14.2 to the response to Request for Information of 23 February 2017 for Microlease. Please note that the Parties have provided contact details for UK-based contacts as far as possible.

POTENTIAL COMPETITION

- 19. What barriers to entry or expansion exist for each merger party to start supplying product(s)/service(s)/geographic area(s) which it does not currently supply but which the other merger party is already supplying (or expected to supply)?**
164. Not applicable. The Parties are active in the supply of the same products and services. Neither Party has plans to start supplying any products, services or geographies that it does not currently supply, but which the other Party is already supplying.
- 20. Are there any plans by either merger party to do so? Provide any internal documents setting out any plans of any merger party to expand in the overlapping product(s), service(s) and geographic area(s) or to enter a market where another merger party is operating.**
165. See the response to question 19 above.

COORDINATION

- 21. Describe the impact of the merger on the potential for coordinated conduct between remaining competitors in respect of the Candidate Market(s), post-merger.**
166. The Merger Assessment Guidelines identify three cumulative conditions required for coordination to occur: (1) alignment; (2) internal stability; and (3) the absence of external constraints.¹⁴ The Parties consider that none of these is possible individually and they are certainly not possible cumulatively for the following reasons.
- (a) First, the Parties compete against a wide range of TME suppliers (particularly when considering the wider segment for leased and sold TME), which would make alignment and internal stability extremely challenging and increases the prospects for external constraints from other competitors. Even if a narrower frame of reference were considered, within TME rental only, the number of players and the asymmetric market structure would suggest that alignment would be very hard to achieve.
 - (b) Secondly, contracts are negotiated bilaterally between the supplier and the customer, the details of which are not known publicly. This makes alignment on a focal point for coordination difficult and makes monitoring of any potential alignment even more difficult. Members of the alleged coordinating group will not be able to monitor each other's conduct and detect cheating from the coordinated outcome unless there is transparency over the terms of collusion. This is not the case in this market.
 - (c) Thirdly, there is a service element to the Parties' offering. This makes the Parties' offering less homogenous, which, again, makes alignment more difficult. This service element is also difficult to monitor (as it is less transparent to the alleged coordinating group).

¹⁴ Merger Assessment Guidelines, para. 5.5.9.

VERTICAL EFFECTS

22. **If the merger parties operate at different levels of the supply chain (that is, they have a vertical relationship), describe whether the merger would, or would be likely to, limit the supply of inputs or access to customers such that downstream or upstream rivals would face higher costs post-acquisition or full or partial foreclosure of key inputs or of access to customers.**
167. Not applicable. Electro Rent and Microlease operate at the same level of the supply chain, with no vertical relationships between them.
23. **For all Candidate Markets in which the merger parties have a vertical relationship, provide contact details for the relevant competitors and customers of the merger parties on the upstream and downstream markets on which each merger party is active (to the extent not already provided in response to questions 16 and 18).**
168. Given the absence of vertical relationships between the Parties, the Parties request a waiver in relation to the provision of this information.

CONGLOMERATE EFFECTS

24. **Provide details of any related product(s) or service(s) supplied by the merger parties.**
169. Conglomerate effects are not relevant to the assessment of this Transaction. Both Parties are active in all segments of TME and there are no related products or services provided by the Parties. This Transaction is motivated by bringing together TME suppliers with a complementary geographical presence, assets, and customers, and adds a best in class management team to the global operation.
25. **Provide contact details for the relevant competitors and customers of the merger parties for the related products/services in which each of the merger parties is active identified in relation to question 24 above (to the extent not already provided in response to question 16).**
170. Not applicable.

ENTRY OR EXPANSION

26. **Provide details of any barriers to entry and expansion with respect to the Candidate Market(s).**
171. In order to begin supplying TME for rent in the UK, suppliers need access to build up a pool of equipment to offer for rent. New entrants to the rental segment can acquire TME directly from any of the numerous OEMs, with a short lead time of 2-20 weeks depending on the TME sought, and then offer the TME for rent. New entrants simply need access to financing, which is available from numerous sources. For existing TME suppliers that may not be active in TME rental, the barriers to offering TME for rent are even lower and switching to TME rental from leasing or supplying new or used TME could be achieved quickly and at limited cost.
172. [✂]
173. Please note that as Electro Rent does not account, and has not accounted, for the UK separately, the (i) capex and (ii) total costs, associated with the entry of Electro Rent in the UK are not readily ascertainable. In addition, Electro Rent has historically supplied UK

customers from its facility in Belgium, therefore Electro Rent's formal entry in the UK did not have specific capex costs associated with it.

27. Provide:

a. details of any expansion, entry or exit in any of the Candidate Markets over the past five years, and

174. As noted above, Electro Rent formally entered the TME rental segment in the UK in 2015. Electro Rent's costs of entry were similar to the estimates set out in paragraph 172 above. Interlligent also entered the TME rental segment in approximately 2014. Since their recent entry, each of Electro Rent and Interlligent has established a UK share of supply of approximately [X]%. Interlligent's contact details can be found in [X] and further information regarding Interlligent can be found at: <http://www.interlligent.co.uk/>.

175. [X]

176. In response to market entry, exit or expansion, the Parties focus on high standards of service delivery, inter alia. The Parties do not possess any documents in this respect.

b. of any companies that the notifying parties consider are likely, post-merger, to enter or expand into any of the Candidate Markets in a sufficiently timely manner so as to adequately constrain the merged entity, including, in either case, any available evidence for that submission and contact details for any companies named.

177. As discussed above, there are numerous suppliers of TME rental in the UK. Given their existing presence in the segment and readily available financing, there are low barriers to the expansion of these existing competitors.

COUNTERVAILING BUYER POWER

28. Explain, with evidence where available, whether the merged entity will be subject to any countervailing buyer power.

178. The TME sector is characterised by a number of large, international companies that are experienced and sophisticated purchasers of products and services for their international operations. The presence, market knowledge and price sensitivity of these customers will continue to constrain the ability of the Parties to raise prices post-merger, particularly given the plethora of alternative suppliers of TME rental in the UK and the wider constraints from leased and sold TME.

EFFICIENCIES AND CUSTOMER BENEFITS

29. If the notifying parties wish the CMA specifically to consider at phase 1 any efficiencies or relevant customer benefits that the notifying parties believe will arise from the merger, describe such efficiencies and provide any documents prepared internally or by external consultants that discuss such expected efficiencies or relevant customer benefits.

179. As noted above and in many of the board documents that have been annexed to this Merger Notice, this Transaction is highly complementary, bringing together Electro Rent's US-centric footprint and Microlease's focus on Europe. The combination of Electro Rent and Microlease will create a world leading provider of TME solutions, capable of better addressing a diverse range of customers across the aerospace and defence, telecommunications and IT sectors.

The Transaction is estimated to result in synergies of approximately USD 30 million. In relation to the countervailing constraints of efficiencies and customer benefits, the Parties consider that the Transaction does not give rise to the realistic prospect of a substantial lessening of competition and, therefore, it will not be necessary for the CMA to specifically assess the synergies resulting from this Transaction.

OTHER INFORMATION

- 30. Provide the name and contact details (including address, email address and telephone number) for any relevant regulatory authorities covering the industry in which the merger parties overlap, have a vertical relationship, or supply related product(s) / service(s).**

Not applicable.

- 31. Provide the name and contact details (including address, and email address and telephone number) of any trade associations which cover the industry in which the merger parties overlap, have a vertical relationship, or supply related product(s) / service(s).**

European Benchmarking Forum

Email address: chair@euro-benchmarking.org

Website: <http://www.euro-benchmarking.org/>

- 32. Provide any other information that the notifying parties consider may be relevant to the CMA's Phase 1 investigation.**

Not applicable.

APPENDIX – NOTES ON TENDER DATA

Instructions

Please follow the instructions below to replicate the results in the RBB Note.

Save zip folder and amend root directory

- a. save and unzip the zip folder to your chosen directory;
- b. open the “setup.do” file located in the “\dofiles\” folder¹⁵; and
- c. amend the “global path” stated on line 7 of the “setup.do” file to the directory in which the Stata folder is located. For example, if the Stata folder is saved on the C drive, please change the global path to “C:\”.
- d. Amending the directory is also relevant for the following dofiles:
 - i. “\dofiles\Cleaning\01 Question 18a) and b)\Microlease – UK rental loss data.do”, line 3;
 - ii. “\dofiles\Cleaning\01 Question 18a) and b)\Electro Rent – UK rental win-loss data.do”, line 3;
 - iii. “\dofiles\Analysis\01 Question 18a) and b)\Microlease – UK rental losses – analysis.do”, line 3; and
 - iv. “\dofiles\Analysis\01 Question 18a) and b)\Electro Rent – UK rental losses – analysis.do”, line 3.

Run cleaning dofiles

The following dofiles import and clean the files located in the “\raw data\” folder and save the cleaned datasets in the “\datasets\” folder:

- e. “\01 Question 18a) and b)\Microlease – UK rental loss data.do”; and
- f. “\01 Question 18a) and b)\Electro Rent – UK rental win-loss data.do”.

Run analysis dofiles

The following dofiles use the cleaned datasets saved in the “\datasets\” folder to conduct the loss analysis and export the results in the following folder “\output\”:

- g. “\01 Question 18a) and b)\Microlease – UK rental losses – analysis.do”; and

¹⁵ For convenience, we set out in the “setup” do. file the run order to generate the results in response to questions 18, 19 and 20 of the Section 109 Notice of 17 March 2017. Please remove the “/*” from line 15 of the setup do file to obtain these results. If you would prefer to run these files separately, please follow the instructions in the text of this document.

Obtain results¹⁶

The results generated above are exported to the following files which also generate Figures 1 – 4 presented in the RBB Note:

- i. “Microlease – UK rental losses.xlsx”, sheet (“18a-All years-...”); and
- j. “Electro Rent – UK rental losses.xlsx”, sheet (“18a-All years-...”).

A copy of the charts and tables generated for each Party can be found in [Annex 18.2](#) (zip file “Microlease – charts and output tables”) and [Annex 18.3](#) (zip file “Electro Rent – charts and output tables”). In particular, the results presented in the RBB Note can be found in the “\01 Question 18 a) and b)” folder.

Notes on data

In line with the CMA’s Section 109 Notice of 23 February 2017, the Parties have sought to provide data covering “the last two years”. In particular, Electro Rent [REDACTED] Microlease provided [REDACTED].

In preparing the data for this response, Microlease [REDACTED].

¹⁶ [REDACTED]