

From:
To:
Cc:
Subject: RE: CMA Merger Investigation: Completed acquisition of GBST Holdings Limited by FNZ (Australia) Bidco Pty Ltd
Date: 14 August 2020 14:41:21
Attachments:

Dear

Thank you for inviting us to respond to the CMA's Notice of Possible Remedies in relation to its FNZ/GBST merger inquiry. GBST is a key provider to Vitality and we appreciate the opportunity to provide our thoughts on this matter.

Upon consideration of the remedies that have been put forward in the Notice, Vitality's overall view is that a full divestiture of GBST would be the most effective means of remedying the SLC and that, in order to fully address the competition concerns arising from the proposed GBST/FNZ merger, any potential purchaser of GBST should not be an established retail platform solution provider in the UK.

With regards to the specific questions set out within the Remedies Notice, our comments are as follows:

With reference to section 23(a)-(b) of the Notice:

- (a) We believe that a full divestiture of GBST would be an effective, and from our perspective the most desirable, remedy to the provisional SLC, provided that as a consequence of the full divestiture GBST did not fall under the control of an established participant in the UK retail platform market (which we consider would negate the benefit of the remedy).
- (b) We do not consider that any form of partial divestiture would be an effective remedy to the provisional SLC. In our view, partial divestiture will inevitably lead to poor customer outcomes. Our experience has been that the components of GBST's software and service offerings are integrated to such an extent (e.g. their common code base and the way their UK and Australian operations work together) that enhancements to functionality typically involve multiple operational segments.

Splitting these up will have a detrimental impact on the quality and speed of GBST's delivery and open the development cycle up to the risk of intentional or unintentional delays. Moreover, the inevitable cost impact of having different service providers in the supply chain means that partial divestiture should not, in our opinion, be considered as a potential option.

We also consider that the risks outlined in clauses (a)-(d) of section 15 of the Notice are material and unlikely to be mitigated by any form of partial

divestiture. In particular, we believe this remedy is likely to reduce investment in R&D and consequently result in a stifling of GBST's ability to continue to develop innovative products, which would be detrimental both to Vitality and to the UK retail platform market generally.

Please also consider this answer as the answer to section 23(c) and (d) of the remedies notice.

With reference to section 23(e) of the remedies notice:

We believe that there would be purchasers on the market, but as mentioned above, would not consider any established participant in the UK retail platform market to be suitable given this would in effect lead to the same outcome as the purchase of GBST by FNZ.

Any prospective purchaser should also be willing to commit to further investment. Vitality choose GBST due to their ability to develop and innovate, and our focus remains on evolving our product range. We would expect GBST to be purchased by an entity aligned to this philosophy – we have no desire to re-platform in the immediate future.

In light of the measures taken by GBST and FNZ to ring-fence their respective operations in connection with the proposed merger, we do not consider that there would be any deterioration in the competitive capability of any divestiture package prior to completion of the divestiture.

With reference to section 25 of the remedies notice:

Please see comments above, but in general, our view is that an entity with a UK presence and understanding of the UK market but without market share in the UK retail platform market would be the most suitable type of purchaser.

With reference to section 26 of the remedies notice:

In view that the two companies will operate as separate entities while a prospective purchaser is sought we have no strong opinion being confident that GBST has a strong balance sheet and will still be able to continue crucial R&D.

With reference to sections 28, 30 and 32 of the remedies notice entitled "*Effective divestiture process*":

We feel we're not able to provide meaningful comments on these points.

Please feel free should to contact me should you require any further insights or substantive reasons for our views expressed.

Best regards,

