



DETERMINATION OF MERGER NOTIFICATION M/15/042- GRANT THORNTON IRELAND / RSM FARRELL GRANT SPARKS

Section 21 of the Competition Act 2002

Proposed acquisition by Grant Thornton Ireland of Certain Assets of RSM Farrell Grant Sparks

Dated 11 September 2015

Introduction

1. On 04 August 2015, in accordance with section 18(1) of the Competition Act 2002, as amended¹ (“the Act”), the Competition and Consumer Protection Commission (“the Commission”) received a notification of a proposed transaction whereby Grant Thornton Ireland (“GT Ireland”) would acquire sole control over certain assets, constituting the accountancy business² and related goodwill (“the Target Assets”), of RSM Farrell Grant Sparks (“RSM FGS”).

The Proposed Transaction

2. On 04 August 2015, GT Ireland and RSM FGS entered into a written combination agreement in terms of which it is proposed that GT Ireland would acquire the Target Assets, whilst at the same time offering (i) partnership to certain RSM FGS partners and (ii) employment to all RSM FGS employees.

The Undertakings Involved

The Acquirer

3. GT Ireland is a partnership³ under Irish law with its registered office at 24-26 City Quay, Dublin 2 and with offices in Belfast, Cork, Galway, Kildare and Limerick.
4. GT Ireland is a provider of accounting and audit services, tax advisory and compliance services, management consultant services, corporate finance advisory services, and insolvency services in the State and in Northern Ireland. It also provides related ancillary services such as company secretarial and outsourced payroll services.
5. In the financial year ending 31 January 2015, GT Ireland had a worldwide turnover of €[...], of which approximately €[...] was generated in the State.

¹ It should be noted that the Competition and Consumer Protection Act 2014 made a number of important amendments to the merger review regime set out in the Competition Act 2002.

² Including the audit, tax and advisory services of RSM FGS.

³ GT Ireland currently has 44 partners, [...].



The Vendor

6. RSM FGS is a partnership⁴ under Irish law with registered office at Molyneux House, Bride Street, Dublin 8 and an office in Longford.
7. RSM FGS is a provider of accounting and audit services, tax advisory and compliance services and corporate finance advisory services, together with ancillary services such as company secretarial and outsourced payroll services, in the State.

The Target Assets

8. It is proposed that GT Ireland will acquire sole control over the Target Assets of RSM FGS, which comprise the property, rights and assets of RSM FGS, as well as its accountancy business, including audit, tax and advisory services and the goodwill in the business (including equipment, intellectual property, book debts, work in process, bank accounts and all records).
9. In the financial year ended 31 December 2014, the worldwide turnover attributable to the Target Assets was approximately €[...], of which €[...] was generated in the State.

Rationale for the Proposed Acquisition

10. The notification states:

“Demand for services in the accounting and audit sector, the corporate finance sector and tax advisory and compliance sectors is strong. As a result of the Proposed Transaction, the combined entity will be better placed to accommodate this demand across all market sectors and to meet competition [...].”

Third Party Submissions

11. No submission was received.

Competitive Analysis

12. There is a horizontal overlap between GT Ireland and RSM FGS in the provision of the following services:
 - a. Accounting and audit services (“audit services”);
 - b. Tax advisory and compliance services (“tax advisory services”);
 - c. Corporate finance advisory services (“corporate finance”); and
 - d. A range of ancillary services such as company secretarial and outsourced payroll services (“ancillary services”).
13. The Commission defines markets to the extent necessary depending on the particular circumstances of a given case. In this instance, it is not necessary for the Commission to define precise relevant markets. However, since there is a horizontal overlap

⁴ RSM FGS currently has 9 partners, [...].



between the parties the Commission has reviewed the competitive impact of the proposed transaction on the market for the provision of those services identified above.

Audit and Tax Advisory Services

14. The parties estimate the market shares as set out in Table 1 below:

Table 1 – Market Shares (by value) for the Provision Audit and Tax Advisory Services in the State

Entity	Accountancy and Audit Services	Tax Advisory and Compliance Services
EY	27%	38%
PWC	25%	28%
KPMG	23%	14%
Deloitte	17%	12%
GT Ireland	3%	4%
BDO	3%	4%
Mazars	2%	1%
RSM FGS	1%	1%

Source: The Parties⁵

15. Aside from the fact that the proposed transaction will give rise only to a very small accretion of market share, the proposed transaction is also unlikely to raise any competition concerns for the following reasons:

- Post-merger GT Ireland will remain the fifth largest accountancy firm in the State and it will continue to face strong competition within the State from the remaining firms within the Top 20 accountancy firms⁶.
- The market is characterised by sophisticated and knowledgeable buyers (in both the public and private sectors) who can easily switch providers and who often purchase consultancy services through largely transparent competitive tendering processes.
- Although the provision of the above services requires a detailed knowledge of national company law, national tax law, national corporate law and other national regulatory requirements and so, across all three services, clients could generally switch between market players with a presence within the State.

⁵ The parties generated the data on market shares using RSM FGS's turnover figures and information available under the EC (Statutory Audits) (Directive 2006/43/EC) Regulations 2010 (Transparency Regulations) which require financial information to be disclosed by certain audit firms in the State, under the following categories: the statutory audit of annual and group accounts, and fees charged for other assurance services, tax advisory services and other non-audit services (only the following firms fall within the scope of the Transparency Regulations: KPMG, Deloitte, PwC, EY, GT Ireland, BDO and Mazars).

⁶ Strong growth in fees for Ireland's accountancy firms as Top 20 fee income rises by 9.3 per cent – Finance Dublin Accountancy Survey 2014: <http://www.financedublin.com/article.php?i=14661>



- Both GT Ireland and RSM FGS, along with BDO and Mazars, fall within the second tier group of accountancy firms, behind the 'Big Four', being EY, PWC, KPMG and Deloitte.
- There is no vertical overlap between the parties.

Corporate Finance

16. For corporate finance services, there are no publicly available market share figures or data which can be used to generate market share figures available for this market in Ireland. The combined turnover of the Parties for corporate finance services in the most recent financial year amounts to €[...], which is only [...] % of the Parties combined turnover. The turnover of GT Ireland was €[...] and the turnover of RSM FGS was €[...]. The Irish corporate finance advisory market includes a wide range of participants such as KPMG, Deloitte, PWC, EY; Mazars and BDO; investment banks providing these services in the State, such as AIB Corporate Finance and Investec; corporate finance houses such as IBI Corporate Finance, Ion Equity, Goodbody Corporate Finance, Davy Corporate Finance, Capnia Corporate Finance, Core Corporate Finance and Hibernia Corporate Finance.

Ancillary Services

17. As noted, there is an element of overlap between the Parties in respect of the provision of ancillary services such as outsourced payroll services and company secretarial services. However given the ancillary nature of these services to both parties, the very significant number of competing providers and the limited turnover derived by the Parties from provision of these services, any overlap between the parties is minimal and does not give rise to any substantial lessening of competition.
18. In all of the above areas of overlap, there are a large and varied (in size) number of competitors whose presence will constrain the activities of the merged entity post-transaction. Consequently, the Commission considers that the proposed acquisition will not substantially lessen competition in any market for goods or services in the State.

Ancillary Restraints

19. No ancillary restraints were notified.



Determination

The Competition and Consumer Protection Commission, in accordance with section 21(2)(a) of the Competition Act 2002, as amended, has determined that, in its opinion, the result of the proposed acquisition whereby Grant Thornton Ireland would acquire sole control over certain assets, constituting the accountancy business (including, amongst others, audit, tax and advisory services) and related goodwill, of RSM Farrell Grant Sparks, will not be to substantially lessen competition in any market for goods or services in the State, and accordingly, that the acquisition may be put into effect.

For the Competition and Consumer Protection Commission

Isolde Goggin
Chairperson
Competition and Consumer Protection Commission