



Case M1173G

Proposed acquisition
by The Carlyle Group LP of
The Innovation Group plc

Decision – Preliminary Review

Document No: CICRA 15/47

Date: September 2015

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Background

On 17 September 2015 the Guernsey Competition and Regulatory Authority (GCRA) received an application for approval from The Carlyle Group (Carlyle) for its proposed acquisition of The Innovation Group plc. This took the form of a request for approval by preliminary review because the parties are engaged in the financial services sector.

The GCRA registered the application on its website on 17 September, with a deadline for comments of 24 September 2015. No comments were received.

Details of the parties

The acquirer is Axios Bidco Limited (c/o The Carlyle Group, 57 Berkley Square, Lansdowne House, London W1J 6ER), a company registered in England and Wales number 09749768, which is a newly incorporated affiliate of The Carlyle Group LP (Carlyle). Carlyle is a global investment business and is a limited partnership publicly traded on the NASDAQ stock exchange in the US. It is managed by its general partner, Carlyle Group Management LLC, which is not controlled by any entity or person. The Carlyle Group LP is registered with the US Securities and Exchange Commission to provide investment advice.

The target, the Innovation Group plc, Yarmouth House, 1300 Parkway, Solent Business Park, Hampshire, PO15 7AE; is a company registered in England & Wales, number 03256771 which is listed on the London Stock Exchange. It provides expert business services, primarily related to claims management to global motor and property insurers and specialist software for the insurance industry.

The transaction

Carlyle will acquire the entire issued share capital of the target (TIG) which includes two subsidiaries registered in Guernsey, a reinsurance business and a management services company.

The transaction has been notified to the Guernsey Financial Services Commission (GFSC), the UK Financial Conduct Authority (FCA), to the Federal Cartel Office in Germany and the Competition Commission of South Africa.

Need for referral

By virtue of the rules for calculating the relevant turnover for financial, insurance or credit institutions¹, each undertaking has a turnover in excess of £2m in Guernsey and a combined turnover in excess of £5m in the Channel Islands. The target (TIG) has a global turnover of approximately £210m of which approximately £[...] million relates to the Guernsey business. The acquirer has a global turnover of £[...] billion, of which £[...] million is related to Guernsey and arises from its ownership of Butterfield Bank. Note that although the acquirer

¹ As set out in the *Calculation of Turnover (Guernsey) regulations 2012*;

also has £[...] million turnover in Jersey, its market share is small and the target has no Jersey business, therefore there is no referral in Jersey.

The application for approval through preliminary review in Guernsey is granted in accordance with the *Competition (Prescribed mergers and acquisitions) (Guernsey) Regulations 2012*. The acquirer is a qualifying financial institution by virtue of the operation of its parent and wider group businesses which provide investment management and investment advice services. The ultimate parent (a limited partnership), Carlyle Group LP, is listed on the NASDAQ exchange in the US and registered with the Securities and Exchange Commission to provide investment advice.

Effect on competition

TIG's Guernsey turnover derives from the insurance sector. Its market share in Guernsey is negligible and consists of a reinsurance business with a single client and a management services company (which derives income from inter-company transactions within the group and may therefore be disregarded). Carlyle Group's turnover in Guernsey derives from the activities of Butterfield Bank.

There is no overlap in the Guernsey market between the business activities of Carlyle and TIG and no concentration of market power or increase in market shares. While it is difficult to establish the precise market share of the target and acquirer in each of the relevant markets, there is competition to provide such services globally, and it is not critical for clients that services are based in any particular jurisdiction.

Conclusion

On the basis of the information provided by the parties, the absence of any overlap or concentration in the Guernsey market and the potentially global nature of the markets concerned the GCRA considers that the merger does not cause competition concerns in Guernsey. The GCRA concludes that in accordance with section 13(2) of the *Competition (Guernsey) Ordinance 2012*, it would not substantially lessen competition within any market for goods and services in Guernsey.

The GCRA therefore approves the application for approval in accordance with section 17(1) of the *Competition (Guernsey) Ordinance, 2012*.

30 September 2015

By order of the GCRA board