



Case M940

The proposed acquisition by Syniverse Holdings Inc., of Warburg Pincus Roaming III SARL (“MACH”).

Decision

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13 June 2013

Jersey Competition Regulatory Authority
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Introduction

1. This decision concerns the proposed acquisition by Syniverse Holdings Inc. (**Syniverse**) of Warburg Pincus Roaming III SARL (**MACH**). Both companies provide a range of competing services to mobile telecoms operators.
2. The transaction was notified to the JCRA on 21 December 2012, and the public consultation concluded on 21 January 2013. Responses were received from three interested parties, all of whom are local mobile telecoms operators. The JCRA's review timetable was stopped shortly after 21 January 2013, with the agreement of the parties, while their discussions regarding commitments proceeded with the European Commission.
3. The transaction will take the form of the acquisition by Syniverse of sole control of MACH, except for MACH's wholly-owned subsidiaries, Evenex ApS and Evenex A/S, and the business of MACH in the European Economic Area (**EEA**), which the parties have agreed to divest to a third party purchaser to comply with commitments accepted by the European Commission in its approval of the transaction (discussed further below). It should be noted that the business being transferred to the third party purchaser does not include MACH's contracts with customers in Jersey – they will remain customers of the merged entity after the transaction is completed.
4. The parties have applied for JCRA approval of the proposed acquisition on the basis of their combined share of supply in the provision of Data Clearing (**DC**) for GSM mobile services in Jersey. The share of Syniverse for such services was [60-70%] (by turnover) for calendar year 2011, while the share of MACH was [30-40%]. As such, the transaction meets the threshold in Article 2 of the *Competition (Mergers and Acquisitions) (Jersey) Order 2010*, and the JCRA's approval is required under Article 20(1) of the *Competition (Jersey) Law 2005* before the proposed acquisition can be executed.
5. Note that the turnover of the parties in Guernsey falls below the relevant thresholds in *The Competition (Prescribed Mergers and Acquisitions) (Guernsey) Regulations, 2012* and therefore the merger does not fall for review under *The Competition (Guernsey) Ordinance 2012*.

The parties and their activities

6. Syniverse is a company registered in Delaware, USA and solely controlled by Carlyle Partners V, L.P., an investment fund managed by the Carlyle Group. Syniverse is not listed but the Carlyle Group is listed on the NASDAQ exchange.

7. MACH is a *Societe Anonyme* registered in Luxembourg, and is solely controlled by private equity firm Warburg Pincus. Neither MACH nor Warburg Pincus are listed on any stock exchange.
8. Both Syniverse and MACH provide a range of services to the mobile telecommunications industry, primarily in relation to call and data roaming, credit monitoring and financial settlement between operators. Both have a global reach and each party has captured a substantial share of global demand for the relevant products.
9. The overall turnover of the parties, both worldwide and in Jersey, is as follows:

Total turnover	Worldwide	Jersey 2010	Jersey 2011
Syniverse	£ [CONF]	£ [CONF]	£ [CONF]
MACH	£ [CONF]	£ [CONF]	£ [CONF]

Relevant markets

10. There are a number of areas in which the parties' businesses overlap. Some of these activities form a niche within the wider business services sector (specific examples would be financial clearing and business intelligence), in which other parties are active (including in the Channel Islands). These competitors may not be able to offer the complete range of telecoms-related services to mobile operators, but they are able to compete for contracts and, potentially, to attract customers in the telecoms sector by bundling financial clearing services, for example, with other financial services.
11. The main areas of overlap between the parties' activities are in DC for GSM mobile services and "Near Real Time Roaming Data Exchange" (**NRTRDE**), a specific component of revenue assurance and fraud management services for mobile roaming. The latter is not a significant market in Jersey, with a total value of less than £ [CONF] per annum. Moreover, the NRTRDE component is not a pre-requisite for mobile telecoms operators to offer GSM roaming services.
12. Therefore, the principal area of concern, and the market where a significant overlap arises in Jersey, is in the provision of DC services. This market had a total value of £ [CONF] in Jersey in 2010 and £ [CONF] in 2011, with sales shared exclusively between Syniverse and MACH. The total value of business in Jersey can vary significantly from year to year, and is very small in relation to the global figure. However, competition between the two groups has been cited as the reason for the substantial reduction in 2011 costs compared with 2010.
13. The turnover for DC services in Jersey and the market shares by turnover are as follows:

	2010 Turnover	% share	2011 Turnover	% share
Syniverse	£ [CONF]	[10-20%]	£ [CONF]	[60-70%]
MACH	£ [CONF]	[80-90%]	£ [CONF]	[30-40%]

14. For the purposes of its review of this transaction, the JCRA has proceeded on the basis that the geographic scope of the DC services market is limited to Jersey.

Analysis

15. Under the *Competition (Jersey) Law 2005*, mergers which fall within the parameters set by the *Competition (Mergers and Acquisitions) (Jersey) Order 2010* may not be executed without the approval of the JCRA. The JCRA may refuse to approve a merger or acquisition if it is satisfied that the merger or acquisition would substantially lessen competition in Jersey or any part of Jersey.

16. The provision of services for mobile roaming is dominated globally by Syniverse and MACH. Between them, in a variety of markets, they hold market shares of [80-90%], and those competitors that exist appear to be regional in nature and hold a small market share.

17. The parties contend that the services they provide are regularly put out to tender, the market is easily contestable and open to new entry. However, in Jersey (and across the Channel Islands), Syniverse and MACH are the sole suppliers of these services and fierce competition between the two has led to substantial reductions in contract costs in recent years. Therefore the acquisition as originally proposed, with the market structure as it then stood, would have caused serious concerns of a substantial lessening of competition in the market for DC services in Jersey.

18. The European Commission reviewed the proposed transaction (Case COMP/M.6690) and concluded that the transaction would result in a significant impediment to effective competition in the markets for DC and NRTRDE within the European Union. As a result, the Commission sought commitments from the parties to address these concerns.

19. In addressing the Commission's concerns, Syniverse committed to divest a significant part of MACH's assets, and in particular the entirety of MACH's DC and NRTRDE businesses in the EEA, to a third party purchaser. The divestment includes operational assets and proprietary software for DC and NRTRDE operations, as well as personnel dedicated to the supply of these services in the EEA, and contracts with large customers. The divested business also includes a range of customer contracts with mid-sized and smaller mobile telecoms operators in order to create a sustainable business. Overall, the

divestment package will allow the purchaser to provide not only DC and NRTRDE services but also a comprehensive set of other roaming-related services as required by customers.

20. [CONF]. The business to be divested will operate independently of the merged entity until such time as it is sold ([CONF]).
21. The JCRA accepts that the divestment commitments create a significant competitor to the merged entity, and should restore the level of competition that would otherwise have disappeared as a result of the merger. The existence of a strong competitor in the European and global markets for the provision of DC services, which will be able to compete for contracts in the Jersey market, addresses the competition concerns that would have arisen in Jersey. The JCRA is therefore satisfied that this new entity will be able to compete effectively in the Jersey market as and when existing contracts are replaced and that there will be sufficient competitive pressure to avoid a substantial lessening of competition.

Decision

29. Based on the analysis above, in accordance with Article 22 of the *Competition (Jersey) Law 2005*, the JCRA approves the merger without conditions.

13 June 2013

By order of the Board