



EUROPEAN COMMISSION

DG Competition

Case M8287 - NORDIC CAPITAL / INTRUM JUSTITIA

Only the English text is available and authentic.

**REGULATION (EC) No 139/2004
MERCER PROCEDURE**

Decision on the implementation of remedies - Art. 6(1)(b) in
conjunction with 6(2) - Purchaser approval

Date: 19.12.2017



EUROPEAN COMMISSION

Brussels, 19.12.2017
C(2017) 9054 final

In the published version of this decision, some information has been omitted pursuant to Article 17(2) of Council Regulation (EC) No 139/2004 concerning non-disclosure of business secrets and other confidential information. The omissions are shown thus [...]. Where possible the information omitted has been replaced by ranges of figures or a general description.

PUBLIC VERSION

To the notifying party:

Dear Sir/Madam,

Subject: Case M.8287 – NORDIC CAPITAL / INTRUM JUSTITIA Approval of Pofidax Oy (part of the Lowell Group) as purchaser of Lindorff's CMS¹ and debt purchasing businesses in Sweden, Finland, Denmark and Estonia, and of Intrum Justitia's CMS and debt purchasing businesses in Norway, following your letter of 9 November 2017 and the Trustee's opinion of 16 November 2017

I. FACTS AND PROCEDURE

1. By decision of 12 June 2017 (“the Decision”) based on Article 6(1)(b) in connection with Article 6(2) of Council Regulation (EC) No 139/2004 of 20 January 2004 on the control of concentrations between undertakings (the “Merger Regulation”), the Commission declared the operation by which Nordic Capital Fund VIII Limited (“Nordic Capital”) acquired control of the whole of Intrum Justitia AB (“Intrum Justitia”) by way of purchase of shares (“the Transaction”), combining the operations of Intrum Justitia with those of Nordic Capital's portfolio company Lindorff, compatible with the internal market following modification by Nordic Capital and Intrum Justitia, subject to conditions and obligations (the “Commitments”). Nordic Capital and Intrum Justitia are referred to as “the Parties”.

¹ Credit management services, including debt collection.

2. In particular, the Commitments provide that Nordic Capital will divest Lindorff's credit management services ("CMS", including debt collection) and debt purchasing businesses in Sweden, Finland, Denmark and Estonia, and Intrum Justitia's CMS (including debt collection) and debt purchasing businesses in Norway (together, "the Divestment Business").
3. By letter of 9 November 2017, the Parties proposed Pofidax Oy, part of the Lowell Group, for approval by the Commission as purchaser of the Divestment Business and submitted the proposed Sale and Purchase Agreement and related agreements (the "Proposed Agreement").
4. On 16 November 2017, Grant Thornton UK LLP (the "Trustee") submitted an assessment of Lowell Group's suitability as a purchaser and, in particular, indicated that Lowell Group fulfils the criteria of the purchaser requirements set out in Section D of the Commitments attached to the Decision. In this assessment, the Trustee also indicated that, on the basis of the Proposed Agreement, the Divestment Business would be sold in a manner consistent with the Commitments.

II. ASSESSMENT OF THE PROPOSAL

5. As set out in Section D of the Commitments, in order to be approved by the Commission, the purchaser(s) of the Divestment Businesses must fulfil the following criteria:
 - a) the purchaser(s) shall be independent of and unconnected to the Parties and their affiliated undertakings (this being assessed having regard to the situation following the divestiture);
 - b) the purchaser(s) shall have the financial resources, proven expertise and incentive to maintain and develop the Divestment Businesses as viable and active competitive forces in competition with the Parties and other competitors;
 - c) the acquisition of the Divestment Businesses by the purchaser(s) must neither be likely to create, in light of the information available to the Commission, *prima facie* competition concerns nor give rise to a risk that the implementation of the Commitments will be delayed. In particular, the purchaser(s) must reasonably be expected to obtain all necessary approvals from the relevant regulatory authorities for the acquisition of the Divestment Businesses.
6. This section provides a short description of the purchaser and an assessment of its suitability in view of these criteria.
 - (a) Description of the purchaser**
7. Lowell Group, headquartered in the UK, is a leading pan-European CMS provider which mainly operates in the UK and in Germany, Austria and Switzerland (the "DACH region"). Lowell Group is active in both debt collection and debt purchasing, and has a particular focus on non-performing and unsecured consumer debt portfolios. It also specialises in data analytics and customer insight, and has

built its brand around innovation, a data-based approach to debt collection and customer care.

8. Lowell Group was founded in 2004. It has existed under its current structure since 2015, following the merger of the German GFKL Group and the UK-based Lowell Group.² Lowell Group currently has over 2 500 employees. Its EEA turnover amounted to GBP 454 million in 2016.
9. The legal entity acquiring the Divestment Business is Pofidax Oy, a company incorporated under the laws of Finland and wholly-owned by Lowell Group.

(b) Independence from the Parties

10. Lowell Group is jointly controlled by Permira Funds (“Permira”), which holds 40% of shares, and the Ontario Teachers' Pension Plan (“OTPP”), which holds 35% of shares. Permira is a private equity company with portfolio companies active in a variety of sectors. OTPP is a corporation without share capital responsible for the administration of pension benefits and investments of pension fund assets on behalf of teachers in Canada. The non-controlling shareholders of Lowell Group are management (15% of shares), the Government of Singapore Investment Corporation (“GIC”, 5% of shares), and the National Pension Service of Korea (“NPS”, 5% of shares).
11. There are no meaningful links between Lowell Group and the Parties at shareholder or directorship level. Neither Lowell Group nor its shareholders holds any meaningful shares in Nordic Capital and Intrum Justitia (or companies controlled by either) and they do not enjoy veto rights granting them control over Nordic Capital or Intrum Justitia. The Parties do not have any shareholdings in Lowell Group or its subsidiary companies. The Parties have no directors in common with Lowell Group.
12. There are no meaningful commercial relationships between the Parties (and their affiliates) and Lowell Group. A number of Permira and OTPP's other portfolio companies could be potential customers of the Parties for CMS services or debt portfolios sales. As concluded in the Decision, CMS are not, however, an essential input in companies' businesses and any company generating receivables within its activities is a current or potential purchaser of CMS or seller of debt.³ The same is true for portfolio companies of Nordic Capital, which could be potential customers of Lowell Group for CMS and debt portfolio sales. The possibility of sales of CMS or purchases of debt do not therefore constitute material relationships such as would bring into question Lowell Group's independence from the Parties.
13. Lastly, there are a number of transitional agreements (e.g. relating to IT services and brand licensing) that will remain in place for a limited period of time following Closing⁴, in order to allow the Divestment Business to be transferred to Lowell Group without jeopardising business continuity. Given the transitional nature of

² See case COMP/M.7761 – PERMIRA / OTPP / GFKL GROUP / LOWELL GROUP.

³ See footnote 5 of the Decision.

⁴ The transfer of the legal title of the Divestment Business to Lowell Group.

such arrangements, they do not create any risk to Lowell Group's independence from the Parties.⁵

14. In view of the above, the Commission considers that Lowell Group is independent of and unconnected to the Parties.

(c) Financial resources, proven expertise and incentive to maintain and develop the Divestment Business as a viable and active competitor

15. Lowell Group has sufficient resources to finance the acquisition of the Divestment Business (purchase costs of EUR 741 million). Lowell Group will finance the acquisition both through equity and debt financing. Lowell Group has obtained financing commitment letters for its debt financing from a number of large financial operators.
16. Lowell Group achieved revenues of GBP 454 million in 2016, which represented growth of 24.7% on the previous year. Cash EBITDA has been positive in the past years (GBP 254 million in 2016), with an annual growth rate of over 10% since 2014. While the acquisition will increase Lowell Group's external debt, the resulting leverage ratio will be consistent with Lowell Group's debt covenants and historical leverage ratios, and with ratios in the industry. In addition, Lowell Group's financial projections show a profitable post-financing position, which will contribute to a significant reduction in the leveraging of the business by 2022.
17. Lowell Group has extensive experience in both debt collection and debt purchasing, being active in these industries in the UK and the DACH region. It has long-standing relationships with customers in a variety of sectors, including major pan-European customers, and thus has the means to leverage its existing client base when moving into the Nordic countries. In addition, Lowell Group's advisory team includes individuals with considerable first-hand experience in the Nordic markets. In particular, a former CEO of Intrum Justitia and Board Director of Lindorff is expected to take up a post as Board Director.
18. Furthermore, Lowell Group has extensive experience in acquiring, integrating and developing businesses in new geographic areas. Since 2013, Lowell Group has successfully completed the acquisition and integration of five companies and can count on a dedicated and established integration team. In addition to Lowell Group's own capabilities, its shareholder Permira has significant experience as partner to large corporations in carve-out transactions.
19. Lowell Group will invest significant financial resources in purchasing the Divestment Business. This acquisition appears to give Lowell Group the opportunity to expand its business in other major European markets, which is consistent with Lowell Group's strategic objective of becoming a pan-European CMS provider.

⁵ As stated in the Decision (paragraph 477), the market test confirmed that transitional agreements included in the Divestment Business are sufficient in scope and duration for the purchaser to be able to operate the business independently.

20. The Trustee has reviewed Lowell Group's business plans for the five countries concerned and considers that it has demonstrated interest in the whole of the Divestment Business. It is committed to maintaining and developing both the CMS and the debt purchasing businesses in all five countries included in the Divestment Business.
21. Lowell Group's post-acquisition projections show a significant increase in profits and cash EBITDA. The Trustee considers that such forecasts demonstrate that Lowell group will have a powerful incentive to develop the business and to compete effectively in the Divestment Business's markets. In addition, the projections show that there are real opportunities for growth in all five markets: Sweden, Norway, Finland, Denmark and Estonia. While the Estonian market is significantly smaller in size than the other markets, it nonetheless contributes positively to the growth of the business and is considered by Lowell Group as a 'way in' to the other Baltic markets. Overall, there are thus strong grounds to believe that Lowell Group will have a decisive financial incentive to maintain and develop the Divestment Business in each of the five countries concerned.
22. In view of the above, the Commission considers that Lowell Group has the financial resources, proven expertise and incentive to maintain and develop the Divestment Business as a viable and active competitive force in competition with the Parties and other competitors on the markets concerned.

(d) Absence of prima facie competition problems

23. The Commission concluded in the Decision that the market for debt collection and the market for debt purchasing are both national in scope. Lowell Group mainly operates in the UK, Germany, Austria and Switzerland and has some minor activities in Slovenia and Croatia. Lowell Group does not have any debt collection and debt purchasing activities in the countries where the Divestment Business is active, i.e. Norway, Sweden, Finland, Denmark and Estonia. There is therefore no horizontal overlap between the activities of purchaser and the Divestment Business in the EEA.
24. As explained in paragraph 12, the acquisition does not create any meaningful vertical links. Any company generating receivables could be a potential customer for debt collection or debt purchasing, and those activities do not generally constitute essential inputs to a company's business. The potential relationship between other portfolio companies controlled by Lowell Group's shareholders and the Divestment Business, with the former as customers, does not therefore create any meaningful vertical links.
25. The proposed acquisition of the Divestment Business by Lowell Group will require approval by the Danish competition authority and by financial services regulators in Sweden and Norway. The Trustee considers that the purchaser can be reasonably expected to obtain all necessary approvals from the relevant authorities within a reasonable timeframe, and thus that this process will not delay the implementation of the Commitments. On this basis, the Commission does not envisage there being any obstacle to the successful implementation of the divestment process.
26. This *prima facie* assessment is based on the information available for the purpose of this buyer approval and does not prejudge the competition assessment of the

acquisition of the Divestment Business by Lowell Group by a competent competition authority under applicable merger control rules.

(e) Minor amendments to the Commitments

27. The Commitments provide for the transfer of a royalty-free exclusive [...] brand licence to the purchaser, in relation to the Intrum Justitia brand in Norway and the Lindorff brand in Sweden, Finland, Denmark and Estonia. The Parties and the purchaser have agreed, with the Trustee and Commission's consent, that a small number of exceptions will be made vis-à-vis the exclusivity of the licence. Specifically, the Parties will be allowed to use the licensed trademarks for: i) cross-border activities which require the Parties to communicate, exclusively in the ordinary course of business, with affiliates of their customers, business partners and authorities located in a country where the trademark is licensed to the purchaser⁶; ii) their holding companies, for a phase-out period ending no later than three months after Closing; and iii) their holding companies, to refer to their former company names after the phase-out period, to the extent that is reasonably necessary in order to comply with applicable laws. [...].
28. The exceptions agreed above allow the trademark licensing agreement to be managed more effectively and ensure the separation of the purchaser acquiring the Divestment Business from the Parties. The Commission therefore considers that these minor changes to the Commitments do not in any way affect the viability and competitiveness of the Divestment Business after the sale.
29. A small number of members of key personnel named in the Commitments have been replaced by other individuals following resignations and other staff movement. The hold separate manager of the Divestment Business is satisfied that the changes have not had any detrimental effects on the business, and has not raised any issues relating to the viability and/or the competitiveness of the Divestment Business. The Trustee is also of the opinion that these minor changes will not impact the viability or the competitiveness of the Divestment Business.

III. CONCLUSION

30. On the basis of the above assessment, the Commission approves Lowell Group as a suitable purchaser for the above-mentioned reasons.
31. On the basis of the Proposed Agreement, the Commission further concludes that the Divestment Business is being sold in a manner consistent with the Commitments.

⁶ This is necessary, for example, when the Parties serve a customer in one country, but need to send information (e.g. invoices) to a customer's branch that is located in another country, where the trademark is licensed to the purchaser. The Parties may only use the licensed trademarks in such circumstances if they clearly state: i) their corporate identity, ii) the country in which they are legally registered, iii) that they, and not the purchaser, is the sender of the document, and iv) that they do not provide services and/or products in the country in which the trademark is licensed.

32. This decision only constitutes approval of the proposed purchaser identified herein and of the Proposed Agreement. This decision does not constitute a confirmation that Nordic Capital has complied with its Commitments.
33. This decision is based on Section D of the Commitments attached to the Commission Decision of 12 June 2017.

For the Commission

(Signed)
Johannes LAITENBERGER
Director-General