

SIMPLIFIED NOTIFICATION OF CONCENTRATION

Conscia Norge AS' acquisition of control in Kanari Group AS

Oslo, 4 October 2024

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1. INTRODUCTION

- (1) This notification concerns the acquisition by Conscia Norge AS ("**Conscia**") ("**Notifying Party**") of sole control in Kanari Group AS ("**Kanari**") ("**Target**") (together the "**Parties**") ("**the Transaction**"), from Sileda Holdco AS, Duns AS, M Breen Holding AS, Seven Seconds AS and several other shareholders who each hold less than one percent of the Target.
- (2) The Transaction will result in a change of control in Kanari, thus constituting a concentration (Nw: "foretakssammenslutning") under the Norwegian Competition Act Section 17 *litra b*. As each party has a turnover exceeding NOK 100 million and the parties have a combined turnover above NOK 1 billion in Norway according to the last approved annual accounts, the Transaction is subject to mandatory notification to the Norwegian Competition Authority ("**the NCA**") pursuant to the Norwegian Competition Act Section 18 a.
- (3) The Transaction will not raise any competition concerns. While the Parties have a limited horizontal overlap regarding the resale of licenses for observability solution software, the Parties do not have a combined market share above 20 percent, regardless of how the relevant market is defined. Furthermore, the Notifying Party contends that there are no relevant vertical relations between the Parties. In any event, there are no relevant vertically affected markets. The Parties neither separately nor combined have a market share above 30 per cent in any upstream or downstream market from a market where the other Party has business activities.
- (4) Accordingly, the conditions for submitting a simplified notification are met (ref. the regulation for notifying transactions (Nw: "meldepliktsforskriften") section 3 first paragraph no. 3 *litra b*).

2. THE TRANSCATION

2.1 Transactional structure

- (5) In accordance with share purchase agreement of September 26, 2024 (the "**SPA**"), Conscia will acquire sole control of Kanari. Conscia is a fully owned subsidiary of the Danish company, Conscia A/S, company reg. (CVR) no. 36 45 09 83 ("**Conscia HoldCo**"), which will act as guarantor of Conscia's obligations under the share purchase agreement. Conscia HoldCo is a controlled portfolio company of private equity company Nordic Capital.
- (6) The Transaction is not notifiable to any other competition authority. Completion of the Transaction is contingent on approval from the NCA.

2.2 The strategic and economic rationale behind the transaction

- (7) 

3. DESCRIPTION OF THE PARTIES

3.1 Conscia Norge AS

3.1.1 Organizational structure

(8) Conscia HoldCo is the parent company of Conscia as well as its sister companies Conscia Danmark A/S, Conscia U.S Inc., NIL d.o.o., Conscia Nederland B.V., Conscia Deutschland GmbH, Conscia Sverige AB, and Conscia UK HoldCo Limited.

(9) Conscia HoldCo is headquartered in Denmark and indirectly owned by Nordic Capital Fund IX (see below for details). Conscia has more than 120 employees globally, with Norwegian offices in Oslo, Hamar, Trondheim, Bergen, Stavanger, Tromsø and Ålesund.

3.1.2 Areas of business

(10) Conscia specialises in security and network infrastructure in Northern Europe. Conscia is mainly offering cybersecurity and networking solutions and strives to be the best partner for customer's mission-critical IT infrastructure throughout the entire life cycle.

(11) Conscia offers IT-solutions in the following areas:

- **Networking:** Conscia designs business-critical networks for private as well as public organizations and offers, inter alia, automation, Local Area Network solutions (LAN), Wireless networks and Wan & Service Provider Networks.
- **Cybersecurity:** Conscia covers the entire field of advanced security solutions and services designed to support the organization.
- **Observability:** Conscia offers customized observability solutions, in particular implementation of Cisco licensed observability tools including Splunk, AppDynamics, ThousandEyes, and Splunk Observability Cloud (O11y). However, this represents only a minor part of Conscia's offerings.
- **Data centre & cloud solutions:** Conscia offers assessment, design, and support of data centre & cloud solutions focusing on operational stability, scalability, agility, and cost efficiency. Conscia has partnerships with Cisco, AWS, Microsoft and VMware.
- **Digital Workspace:** Conscia helps secure digital assets on devices, in the data centres and in the clouds. Conscia also facilitates workshops and perform analyses to design the perfect digital workspaces for organizations.

(12) For more information about Conscia, we refer to its homepage: <https://conscia.com/no/>

3.2 Nordic Capital Fund IX

3.2.1 Organizational structure

(13) Conscia HoldCo, through a number of intermediate holding companies¹, is ultimately majority-owned by Nordic Capital Fund IX.²

(14) Nordic Capital Fund IX Limited is a limited liability company incorporated under the laws of Jersey. The company acts as general partner for and on behalf of Nordic Capital IX Alpha,

¹ AX IV Con ApS, Capnor Connery Bidco A/S, Capnor Connery Midco A/S, Capnor Connery Holdco A/S, and NC Connery, L.P.

² NC Connery, L.P. holds 84.57% in Capnor Connery Holdco A/S.

L.P. and Nordic Capital IX Beta, L.P. Together they form Nordic Capital Fund IX.³ Nordic Capital Fund IX is a private equity investment fund managed and/or advised by affiliates of Nordic Capital (“**Nordic Capital**”).

- (15) Nordic Capital invests out of funds and vehicles established in Jersey and Luxembourg. The funds and vehicles and/or their managers are regulated by and under supervision of the Jersey Financial Services Commission and the Luxembourg Commission de Surveillance du Secteur Financier. Each fund acts through its respective general partner or delegated portfolio manager and invests in portfolio companies through various acquisition vehicles. The funds and vehicles are managed from local offices in Jersey and in Luxembourg.
- (16) Nordic Capital has raised 12 funds, which include Nordic Capital Fund IX. Nordic Capital currently has a portfolio consisting of 56 companies.
- (17) None of Nordic Capital's other portfolio companies have overlapping activities with those of Target.
- (18) For a complete list of Nordic Capital's current and former portfolio companies, see <https://www.nordiccapital.com/portfolio-cases/>.

3.2.2 Areas of business

- (19) Nordic Capital is a private equity firm that invests in companies across a wide range of sectors. Nordic Capital focuses on investments in large and medium-sized companies operating in Northern Europe and North America.
- (20) Nordic Capital invests, inter alia, in sectors such as consumer goods, financial services, healthcare, services and industrial tech, technology and payments.
- (21) For more information about Nordic Capital and its portfolio companies, please refer to its homepage: <https://www.nordiccapital.com/>

3.3 Kanari Group AS

3.3.1 Organizational and legal structure

- (22) Kanari is owned by Sileda Holdco AS with 63.72 percent, Duns AS with 9.55 percent, M Breen Holding AS with 9.55 percent, Seven Seconds AS with 6.08 percent, VN Holding ApS with 3.98 percent, We Work IT ApS with 2.71 percent, and other shareholders who each hold less than one percent of the company.
- (23) Kanari is the parent company of Kanari Bidco AS, which owns 100 percent of Kanari Holding AS. In turn, Kanari Holding AS owns 100 percent of Kanari AS.
- (24) Kanari was founded in 2011 and has offices in Norway, Sweden, Denmark, and Finland.

3.3.2 Areas of business

- (25) Kanari helps large enterprises identify and solve problems in complex IT environments before they impact business operations and users. Kanari's primary offerings are observability solutions which identify and react to potential issues affecting its customers' IT environment.

³ Nordic Capital Fund IX acts as the 100% beneficial owner of NC Connery, L.P.

- (26) Kanari streamlines the implementation process of observability solutions and ensures that the observability strategy aligns with its customers' business goals. Kanari also facilitates the seamless integration of observability tools and technologies within existing infrastructure and equips company teams with the knowledge and tools to independently monitor and optimize their business areas. Moreover, Kanari provides tools and expertise to gather, analyse, and act on critical information, and offers ongoing support and insights to stay ahead of industry trends and advancements.
- (27) For more information about Kanari, we refer to its homepage: <https://kanari.com/>

3.4 The Parties turnover and operating income

- (28) The Parties' turnover and operating income in Norway for 2023 is provided below.

Table 1: The Parties' turnover and operating income in Norway for 2023

Company	Turnover	Operating income
Nordic Capital ⁴	██████████ ⁵	
Conscia Norge AS	1 076 985 852	51 393 790
Kanari Group AS	██████████	26 001 456

4. MARKET DEFINITION

4.1.1 Product market – Observability solutions

- (29) In previous decisions, the European Commission (“**Commission**”) has considered that the market for IT-services could be segmented depending on the (i) the functionality of the services and (ii) the different industries in which customers are active as identified in market reports by independent industry analyst companies such as Gartner. However, in its past decisions, the Commission ultimately left open the precise product market definition.⁶
- (30) As regards a segmentation of the market for the provision of IT-services on the basis of the different functionalities, the Commission has considered possible segmentation as (i) hardware maintenance, (ii) software maintenance and support, (iii) consulting, (iv) development and integration, (v) IT outsourcing, (vi) business process outsourcing (BPO), (vii) management services and (viii) education and training. In addition, the Commission has considered a sub-segmentation of the IT services market along industry sectors (including agriculture, mining and construction; process manufacturing; discrete manufacturing; utilities; wholesale; retail; transportation; communications; financial services, etc.).
- (31) The Commission has also defined a separate market for IT-software, distinct from the market of IT-services. The Commission considered a possible segmentation of such market based on (i) the software's functionalities, (ii) the industry sector concerned and (iii) the end uses offered by a particular software. As regards functionality, the Commission considered possible distinctions between (i) infrastructure software (further segmented into security software, IT operations management (ITOM) software, application development software

⁴ Nordic Capital is a private equity company that does not calculate total operating profit for all portfolio companies collectively.

⁵ Converted from EUR ██████████ using the annual rate from Norges Bank for 2023 (11.4206).

⁶ See inter alia cases M.7458 – IBM/ INF Business of Deutsche Lufthansa paras 15-16, Commission decision of 15 December 2014; M.6921 – IBM Italia / UBIS, Commission decision of 19 June 2013 paras 10-12.

and storage management software), (ii) middleware software, (iii) application software and office software, and (iv) operating/browser software.⁷

- (32) For the purposes of this Transaction, the Notifying Party considers a separate product market for the supply of observability solutions as this is the narrowest potential segment in which the Parties' activities overlap.⁸ The supply of observability solutions can be categorised within the IT operations management (ITOM) software segment, as they are primarily used to monitor and analyse the performance and health of IT systems - a key function of IT operations management. Observability solutions represent an advanced approach to monitoring and understanding complex IT systems. With observability solutions in place, teams can receive alerts about issues and proactively resolve them before they impact users. Observability tools are designed for organisations that require enhanced visibility of data health and data pipelines across distributed landscapes which goes beyond traditional network, infrastructure and application monitoring. The Parties respectfully submit that the exact product market definition can be left open as the Transaction will not raise any competition concerns even when considering the narrowest conceivable segment, i.e., a potential product market for observability solutions.

4.1.2 Geographic market – Observability solutions

- (33) In previous decisions, the Commission has taken the view that the relevant geographic market for IT-services and IT-software are at least EEA-wide, but ultimately left the exact geographic market definition open.⁹
- (34) The Notifying Party respectfully submits that defining the exact geographical market is unnecessary as the Parties' market shares do not exceed 20 percent in Norway, which is the narrowest conceivable geographical market. The exact definition of the relevant geographic market can therefore be left open. However, the Parties will submit estimated market shares and customers, suppliers and competitor information based on a Norwegian as well as an EEA-wide market.

5. THE TRANSACTION WILL NOT RAISE ANY COMPETITION CONCERNS

- (35) As explained in Section 3 above, Conscia's main offerings in Norway are cybersecurity and networking solutions. Kanari is not active in the supply of these services as Kanari provides observability solutions which aim to identify and react to potential issues affecting the operation of its customers' IT environments, regardless of the functionalities, end uses and relevant industry application of such IT environments. Such observability solutions act independently of the underlying IT environment and have a different functionality.
- (36) As explained above in Section 3.1.2, a minor part of Conscia's business consists of license sales related to observability solutions. Hence, the Parties have overlapping activities in the market for observability solutions. Conscia has generated limited license sales related to the Cisco observability portfolio. However, Conscia does not offer related services. While

⁷ Case M.10855 Capgemini S.E./Orange S.A. para 27.

⁸ For more information about observability solutions, see <https://www.gartner.com/doc/reprints?id=1-2IJ1TGOE&ct=240814&st=sb>

⁹ Cases M.4944 – SAP / Business Objects, Commission decision of 27 November 2007 para 18 and M.6237 – Computer Sciences Corporation / iSOFT Group, Commission decision of 20 June 2011 paras 16-19 and paras 33-36.

Kanari also offers licenses for Cisco observability solutions as part of its broader software portfolio, Cisco-related observability solutions are only a minor business area for Kanari.

- (37) The Notifying Party estimates that the total market for observability solutions in Norway amounts to approximately [REDACTED]. Kanari has a turnover in Norway estimated at [REDACTED] which equals a market share of approximately [REDACTED] percent. Conscia, on the other hand, has a turnover estimated at approximately [REDACTED] which equals a market share [REDACTED] percent in a Norwegian market. Hence, following the Transaction the Parties will have a combined market share below [REDACTED] percent in a Norwegian market for observability solutions.
- (38) The Parties do not have a basis for estimating the size of the total market for observability solutions in the EEA. However, considering the low market shares in a Norwegian market, and that the vast majority of Kanari's observability turnover is generated in Norway, the market shares must be expected to be negligible and in under no circumstances [REDACTED] percent.
- (39) As such, the combined market shares of the Parties are low, regardless of how the geographical market is defined, and the Transaction will not provide the Parties with any market power and competition from other market participants will continue to sustain competitive pressure. Therefore, the implementation of the Transaction will not have any negative effects on competition regarding the supply of observability solutions, either in Norway or in the EEA.

6. VERTICALLY RELATED MARKETS

- (40) The Notifying Party contends that there are no relevant vertical relations between the Parties. In any event, there are no relevant vertically affected markets. The Parties neither separately nor combined have a market share above 30 percent in any upstream or downstream market from a market where the other Party has business activities.
- (41) For the sake of completeness, the Notifying Party notes that virtually all entities with an IT environment – including Conscia and all other Nordic Capital portfolio companies – could be potential customers of the Target. However, Kanari's services are not used as a necessary, direct or integrated input for the downstream production of services provided by its customers, (including Conscia and other Nordic Capital portfolio companies). Kanari's services can be used as a complement to monitor the correct operation of the installed systems, but it is not required for network to operate. Although Kanari's services can be utilized by Conscia or any of Nordic Capital's other portfolio companies as part of their operations, they are not a necessary input to their cybersecurity or network solutions. As such, there is no relevant vertical link between the Parties. The same dynamic applies with respect to Conscia's offering.
- (42) Further, other cybersecurity and networking solution providers are not dependent on services provided by Kanari. In any event, the Parties intend to continue offering Kanari's products independently of Conscia's services. Input foreclosure concerns can therefore be excluded.
- (43) Customer foreclosure concerns can also be excluded as competing providers of observability solutions are not dependent on a demand from Conscia (or other Nordic Capital portfolio companies) or its customers, given that virtually all entities with an IT

environment are potential customers of the Target and its competitors. Consequently, customer foreclosure concerns can also be excluded.

7. MOST IMPORTANT CUSTOMERS, SUPPLIERS AND COMPETITORS

(44) Enclosed is an overview of the Parties' five most important customers, suppliers and competitors in the market for observability solutions.

(45) Please note that Conscia's involvement in the market for observability solutions represents only a minor part of Conscia's overall business. Therefore, they have limited customers and suppliers in this market.

Appendix 1: Conscia's five most important customers, suppliers and competitors (Confidential)

Appendix 2: Kanari's five most important customers, suppliers and competitors (Confidential)

8. ANNUAL REPORTS AND ACCOUNTS

(46) The Parties' annual report and accounts for the last financial year are enclosed.

Appendix 3: Nordic Capital Fund IX (Confidential)

Appendix 4: Conscia Norge AS

Appendix 5: Kanari Group AS

9. CONFIDENTIALITY AND PUBLIC ACCESS

(47) The notification contains business secrets. All business secrets are highlighted in **yellow** in the text, and appendixes containing business secrets are marked "Confidential". This information is exempt from public access in its entirety, ref the Public Administration Act section 13, first paragraph, no. 2.

(48) Further grounds for secrecy are enclosed.

Appendix 6: Grounds for confidentiality claims

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