

**IN THE MATTER OF THE PROPOSED
JOINT VENTURE BETWEEN PHOENIX
INVESTMENTS II PTE. LTD., RISE EDU
PTE. LTD., AND THE PHINMA GROUP
THROUGH THE ACQUISITION BY
PHOENIX INVESTMENTS II PTE LTD.
AND RISE EDU PTE. LTD. OF SHARES
IN PHINMA EDUCATION HOLDINGS
INC.**

MAO Case No. M-2024-009

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COMMISSION DECISION NO. 10-M-2024

This refers to the proposed joint venture between Phoenix Investments II Pte Ltd. (Phoenix Investments), Rise Edu Pte. Ltd. (Kaizen), and the Philippine Investment-Management Inc. (PHINMA) Group, through PHINMA Education Holdings Inc. (PHINMA Education) (hereinafter shall be collectively referred to as the Parties). The Parties submit this joint venture (the Transaction) to the Philippine Competition Commission (the Commission) for review.¹

Upon careful review of the existing market conditions, various submissions and representations of the Parties to the Commission, the application of the Philippine Competition Act (PCA), its Implementing Rules and Regulations, and related issuances, and based on the findings and recommendation of the Mergers and Acquisitions Office (MAO), the Commission finds that the Transaction will not likely result in substantial prevention, restriction, or lessening of competition in the relevant markets for the reasons discussed below.

The Parties and the Transaction

Phoenix Investments is a newly incorporated private equity management fund based in Singapore.² It is managed by various subsidiaries of KKR & Co, Inc.³ Phoenix Investments was incorporated for the purpose of this Transaction. Its Ultimate Parent

¹ The Philippine Competition Commission conducts review of mergers and acquisitions, including joint ventures, pursuant to Sections 16 and 17 of Republic Act No. 10667, otherwise known as the Philippine Competition Act (PCA), and Section 1, Rule 4 of the Implementing Rules and Regulations of the PCA.

² Incorporated on 17 April 2024.

³ KKR Notification Form.



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Entity (UPE), KKR Management LLP (KKR),⁴ is a global investment firm that offers alternative asset management, as well as capital market and insurance solutions, primarily focusing on high-value investments. In the Philippines, KKR operates through portfolio companies engaged in pharmaceutical, information technology, telecommunication industries, and education, among others.

Kaizen is a newly incorporated private equity fund company⁵ managed by Kaizen Private Equity II Pte. Ltd. While Kaizen has yet to generate any revenues, [REDACTED]

[REDACTED] Kaizen Capital Management Pte. Ltd. (Kaizen Capital) is the UPE of Kaizen. It is engaged in the business of investment management, including the management of investment funds in privately held companies within South Asia and Southeast Asia.⁷

PHINMA Education is a domestic holding company organized with direct holdings in nine (9) tertiary educational institutions in the Philippines⁸ and one (1) company engaged in managing educational institutions in Indonesia.⁹ It is 75% owned by PHINMA Corporation [REDACTED]

PHINMA Education's UPE is PHINMA Inc., a domestic private holding company engaged in the management of business enterprises, and investment in and trading of marketable equity securities, other financial assets, and shares of various subsidiaries and associates.¹⁰ It has direct and indirect holdings in companies¹¹ engaged in education, construction materials, energy, real estate, hospitality, consultancy, and insurance.

The Parties executed an Investment Agreement (Agreement) dated 12 May 2024. Under the Agreement, Phoenix Investments, Kaizen, and the PHINMA Group will form a joint venture (JV). Phoenix Investments and Kaizen under the Agreement will acquire common shares in PHINMA Education resulting in the JV structure illustrated below:

⁴ KKR directly oversees its intermediate subsidiary, KKR & Co, Inc., which in turn advises and manages various subsidiaries throughout the world, including Phoenix Investments.

⁵ Incorporated on 10 May 2024.

⁶ Kaizen Notification Form.

⁷ *Id.*

⁸ Araullo (Araullo University), Inc., Cagayan de Oro College, Inc., University of Pangasinan, Inc., University of Iloilo, Southwestern University, Inc., St. Jude College, Inc., PHINMA College Quezon City, Inc., Rizal College Laguna, and Union College of Laguna.

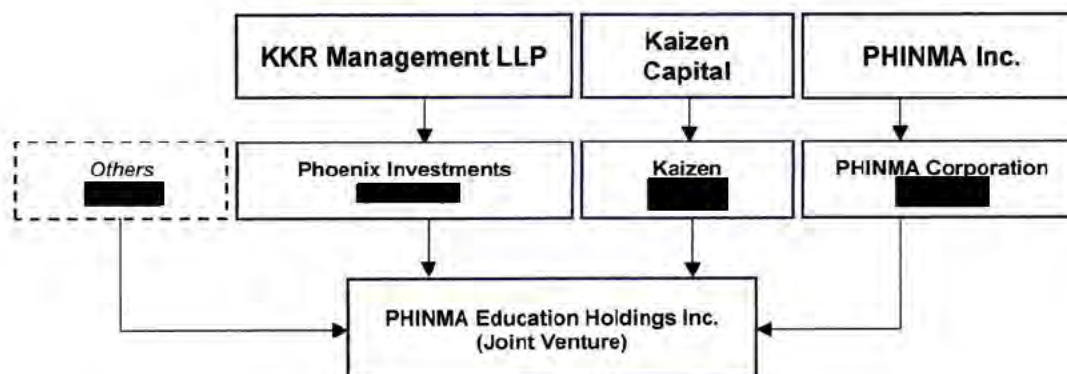
⁹ PHINMA Notification Form.

¹⁰ *Id.*

¹¹ PHINMA Corporation, PHINMA Property Holdings Corporation, PHINMA Prism Property Development Corporation, PHINMA Hospitality, Inc., PHINMA F & A Outsource Corporation, PHINMA Microtel Hotels, Inc., PHINMA Insurance Brokers, Inc., Asia Coal Corporation, Catanduanes Coal Mining Co., Inc., and One Animate Limited.

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Figure 1. Joint Venture Post-Transaction Structure.



Post-Transaction, Phoenix Investments, Kaizen, and PHINMA Corporation will own and control [REDACTED] respectively, of the total issued and outstanding capital stock of PHINMA Education. Based on the limitations prescribed by law,¹² foreign ownership over educational institutions shall be restricted up to 40%.¹³

Discussion

After careful assessment, the Commission finds that the Transaction will not likely result in substantial lessening, restriction, or prevention of competition in the absence of horizontal overlaps and vertical relationships among the Parties' business operations.

Absence of horizontal overlaps

While KKR and Kaizen's Notifying Groups are both engaged in the business of private equity management services, they operate in different segments of the market.

First, KKR and Kaizen Capital operate on different scales with distinct investment priorities. [REDACTED]

¹² See 1987 Philippine Constitution, Article XIV, Section 4(2), and Republic Act No. 7042 (as amended by RA 8179) or the Foreign Investments Act.

¹³ Executive Order No. 175, "Promulgating the Twelfth Regular Foreign Investment Negative List", par. 19, provides that up to forty percent (40%) foreign equity shall be allowed for "educational institutions other than those established by religious groups and mission boards, for foreign diplomatic personnel and their dependents, and other foreign temporary residents (Section 4, Article XIV of the Constitution), or for short-term high-level skills development that do not form part of the formal education system as defined in Section 20 of Batas Pambansa No. 232."

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Geographically, KKR's investment is global in scale, while Kaizen Capital focuses on South Asia, Southeast Asia, and Sub-Saharan Africa.¹⁵

Second, KKR and Kaizen Capital cater to distinct client bases. KKR primarily caters to [REDACTED] investors, with instruments focused on companies with enterprise values between [REDACTED]. Meanwhile, Kaizen Capital's investments are focused on institutions driving social change, with funding requirements of typically less than [REDACTED] in sectors like education, agriculture, and transportation.

Third, although KKR and Kaizen Capital operate globally, the demand for their private equity management services also varies. KKR serves [REDACTED] clients worldwide through its global physical offices located in [REDACTED] countries and competes on a more global scale.¹⁶ Kaizen Capital, on the other hand, primarily focuses on country- or region-specific competitors and serves a few clients in the [REDACTED].¹⁷

Absence of vertical relationships

Despite the presence of KKR portfolio companies in the markets for e-learning platforms and e-libraries, it appears that there are no actual or potential vertical relationships between or among the Parties and their respective Notifying Groups.

Market for e-learning platforms

E-learning platforms are software programs that provide technical infrastructure for e-learning activities in an educational context.¹⁸ KKR's portfolio companies are engaged in the distribution of e-learning platforms, which can be utilized by PHINMA Education since it operates in the tertiary education sector. However, no actual or potential vertical relationship could arise in the provision of e-learning platforms.

Currently, PHINMA Education utilizes MasterSoft as its e-learning management system.¹⁹ MasterSoft specializes in comprehensive Enterprise Resource Planning solutions that focus on the administrative and management needs of educational institutions. It includes a Student Information System for managing student data and academic records, a Learning Management System for online learning, and modules

¹⁴ MAO's Interview with the Notifying Parties.

¹⁵ *Id.*

¹⁶ *Id.*

¹⁷ *Id.*

¹⁸ Piotrowski, Michael (2010), "What is an E-Learning Platform?" available at www.igi-global.com/chapter/learning-platform/43445 (last accessed 18 August 2024).

¹⁹ *Supra* note 14.

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for finance and accounting to automate financial operations.²⁰ Since PHINMA Education has an existing e-learning management system, there is no actual vertical relationship with KKR's portfolio companies pre-Transaction.

Moreover, it appears that PHINMA Education cannot utilize KKR's e-learning platform, Education Perfect, due to differences in customer segment and costs. Education Perfect is an e-learning platform [REDACTED]

[REDACTED] In contrast, PHINMA Education operates in the tertiary education sector (i.e., college).²² This distinction means that the products and services offered by KKR do not align with PHINMA Education's requirements, curriculum, and target demographic.

The Commission also takes notice that KKR's portfolio companies engaged in the market for e-learning platforms have nominal presence in the domestic market. KKR's Education Perfect reported a modest domestic revenue in 2022, mainly attributed to its sole customer, [REDACTED] KKR's Teaching Strategies also recorded minimal revenues from the Philippines, which constituted less than [REDACTED] of its global revenue.²³

Domestic demand for foreign e-learning services is relatively low because educational institutions in the Philippines prioritize cost-efficiencies in their operations.²⁴ These institutions aim to minimize expenses by producing teaching and educational materials in-house rather than purchasing them from external e-learning platforms.

Finally, KKR would face challenges in penetrating the Philippine education market due to regulatory and curricular constraints. Apart from the higher price points of KKR's products and its limited presence in the domestic market, the e-learning products and professional services offered by KKR's portfolio companies may not align with the standards and regulations imposed by the Commission on Higher Education and would not even match the specific needs of PHINMA Education's academic programs.

Market for e-libraries

There is no actual vertical relationship between KKR and PHINMA Education²⁵ in the provision of e-library services. PHINMA's educational institutions have an existing e-library subscription with EBSCO International, Inc. (EBSCO).

Post-Transaction, there is still no potential vertical relationship between KKR and PHINMA Education due to differences between OverDrive and PHINMA Education's

²⁰ MasterSoft's Product Description, available at <https://www.mastersofterp.com/> (last accessed on 18 August 2024).

²¹ *Supra* note 14.

²² *Id.*

²³ KKR's Notification Form.

²⁴ *Id.*

²⁵ [REDACTED]

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e-library service. The functionality, content, target customers, and requirements for accreditation of the two systems are very distinct.

KKR's OverDrive offers applications like Libby, Kanopy, TeachingBooks, and Sora that provide access to e-books, audiobooks, and video streaming services.²⁶ OverDrive is aimed at general readers, library patrons, and students up to Grade 12.²⁷ In contrast, PHINMA Education's EBSCO provides access to research databases, including scholarly journals, articles, and e-books tailored for academic, medical, corporate, and governmental institutions. Its primary users are researchers, students, professionals, and institutions across various sectors. Due to these differences, it is not feasible for PHINMA Education to source its e-library application requirements from KKR.

Additionally, PHINMA Education's educational institutions with current subscriptions to EBSCO benefit from access to a comprehensive research database, academic journals, and other relevant resources that support their curriculum and research activities. Access to these databases is a requirement for academic accreditation, as prescribed by the Commission on Higher Education, Philippine Association of Colleges and Universities Commission on Accreditation, and Philippine Association of Academic Research and Libraries. On the other hand, OverDrive's applications, while useful for general reading and basic literacy, do not play a significant role in supporting the academic reputation or accreditation needs of higher education institutions in the Philippines.²⁸

Given the absence of horizontal overlaps or vertical relationships, the proposed JV is unlikely to raise competition concerns in the relevant markets of private equity management services, e-learning platforms, and e-libraries.

ACCORDINGLY, the Commission resolves to **CLEAR** the proposed joint venture between Phoenix Investments II Pte Ltd., Rise Edu Pte. Ltd., and the Philippine Investment-Management Inc.,

This Decision is rendered solely based on the facts disclosed, circumstances of the proposed Transaction known to the Commission during the review period, and documents submitted by Phoenix Investments, Kaizen, and PHINMA Group.

²⁶ OverDrive's website available at <https://www.overdrive.com/apps> (last accessed 18 August 2024).

²⁷ KKR's Submissions to the MAO.

²⁸ For example, under CHED Memorandum Order No. 8 series of 2005, as a minimum requirement for BS Library Science, libraries should be able to provide electronic resources and online databases to students. Also, under CHED Memorandum Order No. 53 series of 2006, IT Education libraries must have a paid online/digital subscription to at least twenty (20) titles, which can be readily accessible to students, faculty, and staff. Similarly, under CHED Memorandum Order No. 6 series of 2001, Radiologic Technology Education libraries are required to have a paid online/digital subscription to at least twenty (20) titles and to relevant journals and scientific publication, accessible to students, faculty, and staff.

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SO ORDERED.

22 August 2024.


MICHAEL G. AGUINALDO
Chairperson


MARAH VICTORIA S. QUEROL
Commissioner


MICHAEL B. PELOTON
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(On official business)
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