

Anticipated acquisition by Broadview Holding of Formica Group

Decision on relevant merger situation and substantial lessening of competition

ME/6794/18

The CMA's decision on reference under section 33(1) of the Enterprise Act 2002 given on 17 May 2019. Full text of the decision published on 12 June 2019.

Please note that [X] indicates figures or text which have been deleted or replaced in ranges at the request of the parties or third parties for reasons of commercial confidentiality.

SUMMARY

1. Broadview Holding B.V. (**Broadview**) has agreed to acquire Formica Holdings USA, Inc., Formica Holdco (UK) Limited, and Formica (Asia) Limited (together, **Formica**) (the **Merger**). Broadview and Formica are together referred to as the **Parties**.
2. The Competition and Markets Authority (**CMA**) believes that it is or may be the case that each of Broadview and Formica is an enterprise; that these enterprises will cease to be distinct as a result of the Merger; and that the share of supply test is met. Accordingly, arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation.
3. The Parties overlap in the supply of:
 - (a) Decorative laminates manufactured for use in interior applications; and
 - (b) Decorative laminates manufactured for use in exterior wall cladding.

Manufacture of decorative laminates

4. Decorative laminates are produced by fusing sheets of kraft paper together with a decorative overlay paper. There are different types of decorative laminates based on their thickness, the type of overlay paper used, and the manufacturing process. These can be broadly categorised into continuous-pressure laminates (CPL), high-pressure laminates (HPL), and high-pressure compact laminates (HPL Compact).
5. In some cases, decorative laminates undergo some form of fabrication. Fabrication involves the cutting, shaping, and gluing of a decorative laminate, for example, the bonding of a laminate sheet to a wooden substrate.¹

Decorative laminates for interior applications

6. In interior applications, decorative laminates are used in products such as kitchen cabinets, countertops, tables, and other furniture. These can be manufactured using CPL, HPL, or HPL Compact.
7. The evidence received by the CMA - including industry reports and comments from third parties - supports a frame of reference for the supply of decorative laminates for interior applications, which includes CPL, HPL, and HPL Compact.²
8. The CMA found that the Merger does not give rise to competition concerns in this frame of reference because the Parties' combined shares are less than [20-30%] in the UK, the market is highly fragmented, and there are potential competitive constraints from suppliers of other materials for interior applications.

Decorative laminates for exterior wall cladding

9. Decorative laminates can also be used for exterior wall cladding, which is manufactured using HPL Compact covered with an additional UV protection layer.

¹ The Parties have a minor overlap in fabrication. Formica offers fabrication services for worktops, but only in relation to its own laminates. Broadview (as W&G) offers fabrication services - also using its own laminates - for a number of different applications, including worktops and doors. In Germany, W&G provides limited fabrication services using laminates that it does not manufacture, typically at its customers' request. Given the limited nature of this overlap, it is not discussed further in this Decision.

² The CMA received evidence of significant volumes of imports and exports of decorative laminates for interior applications, but it did not have to conclude on a geographic frame of reference because the Merger does not give rise to competition concerns on any plausible basis.

10. The CMA received evidence that several other (non-laminate) materials can be used as substitutes to decorative laminates for exterior wall cladding, and that imports of decorative laminates exert a competitive constraint on UK suppliers. However, on a cautious basis, the CMA decided to assess the impact of the Merger on the market for decorative laminates used in exterior wall cladding in the UK.
11. The Parties' combined share of supply in decorative laminates for exterior wall cladding in the UK is high (approximately [80-90%]). However, the CMA believes that the Merger does not give rise to competition concerns in this frame of reference because the Parties are not each other's closest competitors and are constrained by (i) suppliers of other materials used in exterior wall cladding (ie non-laminates), and (ii) other potential suppliers of decorative laminates located across the EEA. This analysis is supported by the Parties' internal documents, by independent reports, and by customer responses to the CMA's market investigation.
12. The CMA believes that these constraints, taken together, are sufficient to ensure that the Merger does not give rise to a realistic prospect of a substantial lessening of competition (**SLC**) as a result of horizontal unilateral effects.
13. The Merger will therefore **not be referred** under section 33(1) of the Enterprise Act 2002 (the **Act**).

ASSESSMENT

Parties

14. Broadview is a Dutch limited company, incorporated in 's-Hertogenbosch, The Netherlands. There are three Broadview companies active in the manufacture of decorative laminates:
 - (a) Arpa Industriale S.p.A., Italy (**Arpa**), manufactures HPL and HPL Compact for interior applications;
 - (b) Trespa International B.V., The Netherlands (**Trespa**) manufactures HPL panels for façade cladding used in exterior applications, as well as for laboratory furniture; and
 - (c) Westag & Getalit Aktiengesellschaft, Germany (**W&G**) manufactures surfaces and fabricates wooden materials using a wide range of different coatings. Its product portfolio includes HPL and CPL laminates.

15. Approximately 97.4% of all shares in Broadview are ultimately owned by HAL Trust (**HAL**). The turnover of HAL in 2017 was approximately £6,987,313,107 worldwide and approximately [X] in the UK. The combined turnover of Arpa, Trespa, and W&G in 2017 was approximately [X] in the UK.
16. Formica designs, manufactures, distributes, and sells decorative laminates for customers worldwide. The turnover of Formica in 2018 was approximately [X] worldwide and approximately [X] in the UK.³

Transaction

17. HAL announced the proposed Merger on 17 December 2018, and Broadview announced it on 18 December 2018. Pursuant to the Stock Purchase Agreement dated 17 December 2018, Broadview will acquire the entire share capital of Formica.
18. The Parties informed the CMA that the Merger is also the subject of review by competition authorities in Austria, Canada, China, Cyprus, Estonia, Germany, Spain, and the United States of America.

Jurisdiction

19. Each of Broadview and Formica is an enterprise. As a result of the Merger, these enterprises will cease to be distinct.
20. In the supply of decorative laminates for exterior wall cladding, the Parties have a combined share of supply of [80-90%] in the UK, measured by volume (m²). The CMA therefore believes that the share of supply test in section 23 of the Act is met.
21. The CMA therefore believes that it is or may be the case that arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation.
22. The initial period for consideration of the Merger under section 34ZA(3) of the Act started on 28 March 2019 and the statutory 40 working day deadline for a decision is therefore 28 May 2019.

³ The Parties submitted that the Formica financial year ends on 30 June, and that the figures provided are from the most recent financial year end of 30 June 2018.

Counterfactual

23. The CMA assesses a merger's impact relative to the situation that would prevail absent the merger (ie the counterfactual). For anticipated mergers the CMA generally adopts the prevailing conditions of competition as the counterfactual against which to assess the impact of the merger. However, the CMA will assess the merger against an alternative counterfactual where, based on the evidence available to it, it believes that, in the absence of the merger, the prospect of these conditions continuing is not realistic, or there is a realistic prospect of a counterfactual that is more competitive than these conditions.⁴
24. In this case, Formica was sold in an auction process. The Parties submitted that, out of the [✂] final bidders in the auction process, only Broadview is active in decorative laminates. The Parties also submitted that, had Broadview not agreed to acquire Formica, Formica would have been sold to another bidder not currently active in the supply of decorative laminates. Therefore, the CMA believes the prevailing conditions of competition to be the relevant counterfactual.

Frame of reference

25. Market definition provides a framework for assessing the competitive effects of a merger and involves an element of judgement. The boundaries of the market do not determine the outcome of the analysis of the competitive effects of the merger, as it is recognised that there can be constraints on merging parties from outside the relevant market, segmentation within the relevant market, or other ways in which some constraints are more important than others. The CMA will take these factors into account in its competitive assessment.⁵
26. The Parties overlap in the supply of:
- (a) Decorative laminates for interior applications in the UK; and
 - (b) Decorative laminates for exterior wall cladding in the UK.

⁴ [Merger Assessment Guidelines](#) (OFT1254/CC2), September 2010, from paragraph 4.3.5. The [Merger Assessment Guidelines](#) have been adopted by the CMA (see [Mergers: Guidance on the CMA's jurisdiction and procedure](#) (CMA2), January 2014, Annex D).

⁵ [Merger Assessment Guidelines](#), paragraph 5.2.2.

Product scope

27. The Parties submitted that decorative laminates are part of a wider market for the supply of decorative surfaces, which can be manufactured with a wide range of materials. These include natural materials, such as wood and stone, and man-made materials, such as laminates, solid surface acrylic, and ceramic tiles.
28. The Parties submitted that purchasers of decorative surfaces will normally consider a number of different materials that suit their needs and will choose products based on a mix of factors, including cost, aesthetic appeal, and performance characteristics such as scratch resistance and ease of cleaning.

Decorative Laminates for interior applications

29. Decorative laminates for interior applications can be manufactured using CPL, HPL, or HPL Compact. The Parties submitted, however, that the product frame of reference should not be segmented on this basis. According to the Parties, CPL, HPL and HPL Compact are each used for a wide variety of applications, from office desks and work benches, to school lockers, to doors and partitions and, as such, each are close substitutes for the others. The Parties submitted that, from a supply-side perspective, all decorative laminates are manufactured using the same raw materials (kraft papers and phenolic resin), fused together with heat and pressure. The Parties submitted that most decorative laminates suppliers manufacture more than one type of decorative laminate, and that they are able to switch between supply of HPL, CPL or HPL Compact to their distributors as required.
30. Neither the CMA, nor its predecessors, have considered decorative laminates in any previous decisions. The European Commission has considered the relevant product market for decorative laminates in the context of a number of decisions relating to the manufacture and supply of wood-based products.⁶ Although the European Commission left the market definition open, it found evidence indicating that HPL, CPL, and HPL Compact all belong to the same market for decorative laminates. The European Commission did not seek to sub-segment the decorative laminates market any further, for example, by end use.⁷

⁶ See Commission decision of 28.06.2006, M.4165, Sonae Industria / Hornitex; Commission decision of 19.09.2007, M.4525, Kronospan / Constantia; and Commission decision of 20.08.2015, M.7703, PontMeyer / DBS.

⁷ See Kronospan / Constantia, para. 18 – 19 and PontMeyer / DBS, para 14.

31. The evidence received by the CMA supports the inclusion of all three HPL, CPL, and HPL Compact materials in a single frame of reference. Independent reports provided by the Parties indicate that all three materials are used for a range of interior applications. Third party responses also did not indicate that it would be appropriate to segment the market any further.
32. In this case, the CMA has assessed the impact of the Merger in the supply of decorative laminates for interior applications, including CPL, HPL, and HPL Compact.

Decorative Laminates for exterior wall cladding

33. Exterior wall cladding made with decorative laminates requires a minimum thickness of approximately 6mm and, as a result, it can only be manufactured using HPL Compact. HPL Compact used in wall cladding typically has an additional UV protection layer that is not generally used in interior applications.
34. The Parties submitted that all materials used for exterior wall cladding must comply with the same set of EU standards and that, as a result, there are several other materials that should be included in the product frame of reference. According to the Parties, customers can and do switch between materials during the course of construction projects. The Parties consider that at least the following materials should be considered as substitutes to HPL Compact for exterior wall cladding:
 - (a) Fibre cement;
 - (b) Stone wool panels;
 - (c) Aluminium composite materials (ACM);
 - (d) Bonded aluminium;
 - (e) Stone,
 - (f) Terracotta;
 - (g) Ceramic;
 - (h) Wood veneers;
35. The Parties submitted that, following the Grenfell Tower tragedy in June 2017, they have observed a greater propensity for contractors, subcontractors, and distributors to switch towards products with better fire performance, for

example, from a B-category product such as Trespa's decorative laminates, to A-category products such as fibre cement.⁸

36. The UK Government also passed new legislation, which came into force on 21 December 2018, which directly impacts the use of decorative laminates as external cladding.⁹ Under the new legislation, in order for any material to be used as exterior cladding on new residential buildings (including institutions such as hospitals and university student accommodation) with a height of 18 meters and above, it must meet an A1 or A2 fire performance classification. None of the exterior cladding products currently manufactured by the Parties are certified to this standard. This suggests that customers have alternatives to decorative laminates for exterior wall cladding.
37. Neither the CMA nor the European Commission have considered decorative laminates for exterior wall cladding in any of their previous decisions.
38. The Parties' internal documents contained evidence to suggest that HPL Compact competes with other materials for building exterior walls or exterior wall cladding. For example:
 - (a) A Formica internal document identified several materials in the 'rainscreen market' opportunity, noting that the following are in direct competition with HPL Compact: [REDACTED].¹⁰
 - (b) A Formica internal document setting out its '5 Year Strategic Plan' states that decorative laminates for exterior applications require [REDACTED].¹¹
 - (c) A Trespa internal document identified business opportunities lost to its main competitors, which included manufacturers of [REDACTED].¹²
 - (d) A Trespa internal document compared Trespa's warranty with 'key competitors', which included [REDACTED].¹³

⁸ In the UK and throughout the EU, the fire safety rating of construction materials is determined by the European Reaction to Fire classification system (the Euroclass system), which ranges from an A1 category (non-combustible) to an F category (performance undetermined).

⁹ See The Building (Amendment) Regulations 2018

¹⁰ See slide 16 of Annex 14 to the Parties' Merger Notice

¹¹ See slide 4 of Annex 31 to the Parties' Merger Notice

¹² See slide 5 of Annex 15 to the Parties' Merger Notice

¹³ See slide 4 of Annex 18 to the Parties' Merger Notice

39. Independent reports submitted by the Parties also suggest that HPL Compact competes with other materials for building exterior walls or exterior wall cladding. For example:
- (a) One report identified decorative laminates as one of [REDACTED] distinct types of material which can be used in rainscreen cladding, including [REDACTED].¹⁴
 - (b) One report stated that [REDACTED] and showed HPL Compact as making up [REDACTED] of the total market for rainscreen cladding.¹⁵
40. The CMA asked the Parties' customers and competitors to identify materials that can be used as substitutes for HPL Compact in exterior wall cladding. The majority of respondents confirmed that several materials can be used as substitutes for HPL Compact, although different respondents identified different materials as potential substitutes.¹⁶
41. Overall, the evidence indicated that there is a range of alternatives to decorative laminates for external cladding, even though customers seem to have different preferences on the materials they considered to be close substitutes to decorative laminates. In this case, the CMA considered that it is unnecessary to precisely delineate which of these alternative products should be included within the product frame of reference. Instead, and on a cautious basis, the CMA has considered the impact of the Merger in the supply of decorative laminates for exterior wall cladding and taken into account the constraint on the Parties from other materials in its competitive assessment.

Geographic scope

42. The Parties submitted that the geographic frame of reference in relation to decorative laminates (for both interior and exterior applications) should be at least EEA-wide based on the Parties' own global operational footprints, with Broadview entities exporting products that are manufactured at three factories in the EU into a large number of territories around the world. The Parties also submitted that, in addition to its UK manufacturing operations, Formica has operations in North America, Asia, and throughout the EMEA region.

¹⁴ See slide 58–64 of Annex 13 to the Parties' Merger Notice

¹⁵ See pages 54 and 141 of Annex 33 to the Parties' Merger Notice

¹⁶ These materials included fibre cement sheets, aluminium panels, zinc composite, copper composite, terracotta, ceramic stone, and wood composites.

Decorative laminates for interior applications

43. The CMA has not considered decorative laminates for interior applications in any previous decisions. In a previous decision, the European Commission concluded that the geographic market for decorative laminates is EEA-wide.¹⁷ In two other previous decisions, the European Commission considered that it was not necessary to conclude on the exact geographic market definition for decorative laminates because the transactions did not give rise to competition concerns.¹⁸
44. The evidence available to the CMA indicates that the Parties' combined share of supply is less than [20-30%] in the UK, and that the market is highly fragmented, with the top ten suppliers of decorative laminates for interior applications accounting for 30% of capacity globally. Additionally, independent reports indicated that other materials compete with decorative laminates for interior applications.
45. On this basis, the CMA believes that the Merger does not give rise to competition concerns on any plausible basis. For this reason, decorative laminates for interior applications are not discussed further in this Decision.

Decorative laminates for exterior wall cladding

46. Neither the CMA nor the European Commission have considered decorative laminates for exterior wall cladding in any of their previous decisions.
47. The Parties submitted that the frame of reference for decorative laminates for exterior wall cladding should be at least EEA-wide because:
 - (a) Of the four decorative laminates manufacturers who, as far as the Parties are aware, currently supply exterior wall cladding in the UK (ie, Trespa, Formica, Fundermax, and Abet), only Formica manufactures its products in the UK. Each of the others supplies its products from factories in the EU: Trespa in the Netherlands; Fundermax in Austria; and Abet in Italy. As such, [90-100%] of the total volume of decorative laminates supplied in the UK for exterior wall cladding in 2018 was imported;
 - (b) Formica manufactures exterior wall cladding in the UK, but it exports its product throughout the EEA. In 2017 and 2018, over [90-100%] of

¹⁷ See M.4525, Kronospan / Constantia

¹⁸ See Commission decision of 28.06.2006, M.4165, Sonae Industria / Hornitex and Commission decision of 20.08.2015, M.7703, PontMeyer / DBS.

Formica's sales of exterior wall cladding from its UK factory were made outside of the UK;

- (c) The Parties are not aware of any exterior wall cladding manufacturer whose supply is restricted to a single EEA member state. Further, according to the Parties, transport costs are low relative to the end price, which the Parties submitted is consistent with the number of manufacturers who export their products into other EEA territories.
48. The Parties' internal documents contain evidence suggesting that competition between suppliers takes place at a wider than national level. For example:
- (a) Formica considers that its manufacturing and distribution facilities across Europe enable effective access to customers and the efficient delivery of products to different countries.¹⁹
- (b) A report prepared for Formica by an independent consultancy firm shows that Formica competes against a range of decorative laminates manufacturers across Europe,²⁰ [REDACTED].²¹
49. Independent industry reports submitted by the Parties also suggest that competition between suppliers takes place at a wider than national level. For example:
- (a) An independent industry report published by AMA Research states that [REDACTED] HPL panels for exterior wall cladding are imported into the UK.²²
- (b) An independent report published by Pöyry Management Consulting identifies [REDACTED].²³
50. However, the CMA also found evidence suggesting a national dimension of competition, including:
- (a) Formica's internal documents showing that its market shares in HPL Compact vary significantly across different member states.²⁴
- (b) Regulations on exterior wall cladding vary between different member states.

¹⁹ See slide 49 of Annex 22 to the Parties' Merger Notice

²⁰ See slide 29 of Annex 12 to the Parties' Merger Notice

²¹ See slide 40 of Annex 12 to the Parties' Merger Notice

²² See page 74 of Annex 34 to the Parties' Merger Notice

²³ See slide 29 of Annex 12 to the Parties' Merger Notice

²⁴ See slide 23 of Annex 25 to the Parties' Merger Notice

51. On a cautious basis, the CMA has assessed the impact of the Merger in the supply of decorative laminates for exterior wall cladding in the UK, but it did not have to conclude on the exact scope of the geographic frame of reference because no competition concerns arise on any plausible geographic frame of reference.

Conclusion on frame of reference

52. For the reasons set out above, the CMA has considered the impact of the Merger on the supply of decorative laminates for exterior wall cladding in the UK.

Competitive assessment

Horizontal unilateral effects

53. Horizontal unilateral effects may arise when one firm merges with a competitor that previously provided a competitive constraint, allowing the merged firm profitably to raise prices or to degrade quality on its own and without needing to coordinate with its rivals.²⁵ Horizontal unilateral effects are more likely when the merging parties are close competitors. The CMA assessed whether it is or may be the case that the Merger has resulted, or may be expected to result, in an SLC in relation to horizontal unilateral effects in decorative laminates for exterior wall cladding in the UK.

Shares of supply

54. The Parties provided estimates of their shares of supply for decorative laminates used in exterior wall cladding (HPL Compact) in the UK for 2018. These were as follows:
- (a) Broadview (Trespa): [80-90%]
 - (b) Formica: [5-10%]
 - (c) Combined: [80-90%]
55. These shares of supply indicate that Broadview is the largest supplier of decorative laminates used in exterior wall cladding in the UK. The Parties estimated that FunderMax had a share of supply of around [X] and Abet had a share of around [X].

²⁵ [Merger Assessment Guidelines](#), from paragraph 5.4.1.

Closeness of competition

56. The Parties submitted that they are not each other's closest competitors because Broadview (Trespa) primarily competes with manufacturers of other materials used in exterior wall cladding (ie non-laminates). According to the Parties, this is partly due to Trespa's manufacturing technology for laminates which results in a product with [different] UV resistance than other laminates. Trespa considers its main competitor for exterior wall cladding products to be Marley Eternit and Rockpanel, producers of fibre cement and bonded aluminium, respectively.
57. Formica sees its competitors as being a much wider group of suppliers than other HPL Compact manufacturers including fibreglass manufacturers (e.g. Steni), fibre cement manufacturers (e.g. Cembrit, Marley Eternit and Rockpanel), and veneer laminates (e.g. Prodema).
58. The CMA received evidence from third parties suggesting that Trespa and Formica are not each other's closest competitors. Some customers noted that they had never substituted from one provider to the other.
59. The Parties' internal documents support this proposition. For example:
- (a) A Formica internal document indicates that, in 2017, Formica failed to win approximately [X] exterior wall cladding projects.²⁶ Of these, only a small number [X] were lost to Trespa, ie, approximately [X] of lost projects throughout Europe.²⁷
 - (b) Another Formica internal document states that Formica's HPL Compact product (Vivix) competes well against materials like [X].²⁸
 - (c) A Trespa internal document indicates that, in projects where Trespa was specified as a potential supplier, it lost more projects to [X] than to any other competitor.²⁹
60. On the basis of this evidence, the CMA believes that, although the Parties compete in decorative laminates for exterior wall cladding, they are not necessarily each other's closest competitors for decorative laminates. The CMA also saw evidence that other materials (such as Fibre Cement or Fibreglass Reinforced Panels) exert a strong competitive constraint.

²⁶ See slide 31 of Annex 14 to the Parties' Merger Notice

²⁷ See slide 34 of Annex 14 to the Parties' Merger Notice

²⁸ See slide 130 of Annex 14 to the Parties' Merger Notice

²⁹ See Annex 35 to the Parties' Merger Notice

Competitive constraints

Other HPL Compact suppliers - imports

61. The Parties submitted that they compete against international manufacturers of decorative laminates, noting that [90-100%] of the total volume of decorative laminates supplied in the UK for exterior wall cladding in 2018 was imported.
62. The Parties' internal documents,³⁰ as well as independent reports,³¹ identify several manufacturers based outside of the UK as strong competitors in addition to FunderMax (located in Austria) and Abet (located in Italy) who already import into the UK.
63. The CMA also received evidence from third parties suggesting that the market may be wider than national. One customer said that '[t]here are many exterior laminate manufacturers across Europe who regularly supply materials into the UK façade construction market and this generally means all companies have to remain competitive and at the cutting edge of new innovative product design, to retain market share.' Another customer said that 'there are many other suppliers of this product from Turkey India and China in addition to European suppliers.'
64. As a result, the CMA believes there are several suppliers based outside of the UK, and with a limited or with no presence in the UK market, who nevertheless are seen as alternatives to the Parties' products and hence exert some competitive constraint on the Parties.

Other materials (non-laminates)

65. The Parties submitted that they face strong competitive constraints from the broader market for decorative surfaces for exterior wall cladding, including non-laminate materials. According to the Parties, even within a subset of this wider market comprised of man-made decorative surfacing materials on wood-based panels, decorative laminates compete with (and therefore can be substituted by) melamine faced chipboard, paper foils, plastic foils, liquid coatings, and veneers.ⁱ The Parties submitted that, taken in this context, decorative laminates account for only 5% of sales of decorative surfaces for exterior wall cladding (by volume) in the UK. Moreover, of these six different

³⁰ See, eg, slide 49 of Annex 14 to the Parties' Merger Notice

³¹ See, eg, page 60 of Annex 13 to the Parties' Merger Notice

types, laminates' share of total supply is the second smallest with only plastic foils having a smaller share of supply (3%).

66. The Parties' internal documents support this proposition:
- (a) A Formica internal document shows that Formica's decorative laminates for exterior wall cladding require [REDACTED].³²
 - (b) A Formica internal document shows that several non-laminate materials are priced at a similar level (per m²) as laminates, and that Formica sees as 'direct competition' the following materials: [REDACTED].³³
 - (c) A Formica internal document shows that out of [REDACTED] exterior wall cladding projects across Europe that Formica failed to win, more than [REDACTED] were lost due to the customer choosing an alternative material.³⁴ Formica identified at least [REDACTED] materials other than HPL Compact against which Formica lost a project. It described the 'main competing materials [as] [REDACTED].³⁵
67. The Parties also submitted independent reports suggesting that decorative laminates compete with other materials in exterior wall cladding. For example:
- (a) A report by Grand View Research, a market research consultancy firm, showed that HPL Compact amounted to less than [REDACTED] of the UK rainscreen cladding market revenue estimates in 2018, competing against a range of other materials, including [REDACTED].³⁶
 - (b) A report by AMA Research, a market research consultancy, found that [REDACTED].³⁷
68. The CMA's investigation confirmed that the Parties' customers consider that several materials can be used as substitutes for laminates in exterior wall cladding. Although the CMA received a wide range of responses, with different customers identifying different materials as potential substitutes to decorative laminates, the majority of respondents considered the following materials to be substitutable: fibre cement sheets, aluminium panels, zinc composite, copper composite, terracotta, ceramic stone, and wood composites. These customer responses indicate that several non-laminate

³² See slide 4 of Annex 31 to the Parties' Merger Notice

³³ See slide 17 of Annex 14 to the Parties' Merger Notice

³⁴ See slides 32 and 33 of Annex 14 to the Parties' Merger Notice

³⁵ See Annex 36.

³⁶ See page 54 and Table 138 of Annex 33 to the Parties' Merger Notice

³⁷ See page 72 of Annex 34 to the Parties' Merger Notice

materials act as competitive constraints on the Parties in relation to exterior wall cladding.

Conclusion on horizontal unilateral effects

69. For the reasons set out above, the CMA believes that the Parties are not each other's closest competitors and face strong competitive constraints from (i) other decorative laminates producers, and (ii) suppliers of other materials (non-laminates) for use in wall cladding. Accordingly, the CMA has found that the Merger does not give rise to a realistic prospect of an SLC as a result of horizontal unilateral effects in relation to exterior wall cladding in the UK.

Barriers to entry and expansion

70. Entry, or expansion of existing firms, can mitigate the initial effect of a merger on competition, and in some cases may mean that there is no SLC. In assessing whether entry or expansion might prevent an SLC, the CMA considers whether such entry or expansion would be timely, likely and sufficient.³⁸
71. However, the CMA has not had to conclude on barriers to entry or expansion as the Merger does not give rise to competition concerns on any basis.

Third party views

72. The CMA contacted customers and competitors of the Parties. A few customers raised concerns regarding potential price increases or a loss of choice of materials. These customers nevertheless considered that there are a range of materials that can be used as substitutes to decorative laminates for exterior wall cladding. The clear majority of customers who responded did not raise any concerns about the Merger and noted that there are a range of potential suppliers of decorative laminates, as well as alternative materials that can be used in exterior wall cladding.
73. Third party comments have been considered where appropriate in the competitive assessment above.

³⁸ [Merger Assessment Guidelines](#), from paragraph 5.8.1.

Decision

74. Consequently, the CMA does not believe that it is or may be the case that the Merger may be expected to result in an SLC within a market or markets in the United Kingdom.
75. The Merger will therefore **not be referred** under section 33(1) of the Act.

James Waugh
Director
Competition and Markets Authority
17 May 2019

ⁱ The Parties clarified that these materials are substitutes for decorative laminates used for interior applications, rather than decorative laminates used for exterior wall cladding.