

**Completed acquisition by Hunter Douglas N.V. of convertible loan notes and certain rights in 247 Home Furnishings Ltd. in 2013 and the completed acquisition by Hunter Douglas N.V. of a controlling interest in 247 Home Furnishings Ltd. in 2019**

**Summary of the CMA's decision on relevant merger situation and substantial lessening of competition**

**6867/19**

1. The CMA's investigation relates to the completed acquisition by Hunter Douglas N.V. of convertible loan notes and certain rights in 247 Home Furnishings Ltd. (**247**) in 2013 (**2013 Transaction**) and the completed acquisition by Hunter Douglas N.V. of a controlling interest in 247 in 2019 (**2019 Transaction**) (both **the Transactions**). Hunter Douglas N.V., together with all entities under common ownership or common control, or over which it exerts material influence, or which exert material influence over it within the meaning of section 26 of the Enterprise Act 2002 (except for 247) are referred to as **Hunter Douglas**. Hunter Douglas and 247 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 Hunter Douglas and 247 is an enterprise and considers that it is or may be the case that two relevant merger situations (**RMS**) have been created by the 2013 Transaction and 2019 Transaction respectively as: (i) the 2013 Transaction conferred on Hunter Douglas the ability to exercise material influence over 247; and (ii) the 2019 Transaction resulted in Hunter Douglas acquiring a controlling interest in 247. The CMA found, in relation to each of the Transactions, that: (i) the Parties ceased to be distinct; (ii) the share of supply test is met; and (iii) the statutory period for a decision, as extended, has not yet expired.
3. The CMA became aware of the material facts of the 2019 Transaction on 28 October 2019. Subsequently, the Parties informed the CMA about the 2013 Transaction on 22 November 2019.
4. Whilst merger parties are not under an obligation to publicise a transaction, as Hunter Douglas did not disclose the material facts of the 2013 Transaction and 2019 Transaction until late 2019, the 2013 Transaction and the 2019 Transaction remained open to merger control scrutiny.
5. The CMA assessed whether the share of supply test was met in relation to the 2013 Transaction and 2019 Transaction by reference to the Parties' activities

in 2019. This is because, in accordance with section 23(9) of the Enterprise Act 2002 (the **Act**), the CMA assesses whether an RMS has been created in relation to completed transactions at the time of its decision on reference.

6. The CMA considers that the counterfactual for the 2013 Transaction should reflect the conditions of competition absent the 2013 Transaction (namely that 247 would have continued as an independent market participant from Hunter Douglas) but take into account subsequent market developments in order to properly reflect the level and intensity of competition absent the 2013 Transaction. Similarly, the CMA considers that the counterfactual for the 2019 Transaction should reflect the conditions of competition absent the 2019 Transaction, namely that Hunter Douglas would have exercised a lower level of influence over the commercial policy of 247.
7. The Parties overlap in the online retail supply of blinds, shutters and curtains in the UK. In particular, Hunter Douglas (through Blinds2Go and Web Blinds) and 247 overlap mainly in the supply of made-to-measure (**M2M**) blinds in the online channel, in which customers click-to-order and do their own measurement and fitting (**online retail supply of M2M blinds**). Hunter Douglas is also engaged in the manufacturing and wholesale supply of window furnishings, including assembled blinds, raw materials and components for blinds in the UK.
8. The CMA considered whether it would be appropriate to widen the product frame of reference beyond the online retail supply of M2M blinds. The CMA found that there is limited demand-side substitutability between the M2M blinds sold online and other type of window coverings and sales channels, in particular because of: (i) the different characteristics and functions of M2M blinds; (ii) consumer preferences for the online business model; and (iii) the lower prices and broader ranges offered online retailers compared with the in-store and online channels. The CMA also found that supply-side considerations did not support widening the product frame of reference. Therefore, the CMA has assessed the effects of the Transactions in the online retail supply of M2M blinds in the UK.
9. Given vertical link between Hunter Douglas' presence at wholesale level, in the supply of assembled blinds to retailers in the UK, and the Parties' activities in the online retail supply of M2M blinds, the CMA has also assessed the vertical effects of the Transactions. The CMA concluded, however, that the Parties would not have the ability to engage in a foreclosure strategy because downstream rivals have sufficient alternative sources of supply.

10. Therefore, the CMA's investigation focused on horizontal unilateral effects of the 2013 Transaction and the 2019 Transaction in the online retail supply of M2M blinds in the UK from the loss of competition between Hunter Douglas and 247.
11. The CMA considers that the Parties have very high combined shares of supply of [60-70]% in the online retail supply of M2M blinds in the UK, with an increment of [5-10]% brought about by the Transactions. The Parties are the largest and the third largest suppliers in this market, and there is only one other sizeable online retailer of M2M blinds, Interior Goods Direct.
12. The CMA also found that the Parties would have been close competitors absent the 2013 Transaction and the 2019 Transaction, as evidenced, in particular, by their internal documents, third-party views, and their position in organic and paid-for search results.
13. The same evidence suggests that the Merged Entity would face only one remaining significant competitor (ie Interior Goods Direct), which would be more than four times smaller than the Merged Entity following the Transactions. The handful of other small competitors active in the online retail supply of M2M blinds would impose only a limited constraint. The CMA also found that multi-channel M2M blinds retailers, such as Next and John Lewis, and marketplace platforms, such as Amazon and eBay, only exert very limited constraints on the Parties. Out-of-market constraints from ready-made blinds and other sales channels are also very limited.
14. Therefore, the CMA believes that the 2013 Transaction resulted in a realistic prospect of a SLC as a result of horizontal unilateral effects in the online retail supply of M2M blinds in the UK. Hunter Douglas may have had the ability to exercise (and in any case has actually exercised) its material influence to substantially lessen competition between the Parties. Additionally, the CMA believes that the 2019 Transaction strengthens the competition concerns described above.
15. The CMA therefore concludes that the 2019 Transaction also resulted or may be expected to result in a realistic prospect of a substantial lessening of competition (**SLC**) as a result of horizontal unilateral effects in the online retail supply of M2M blinds in the UK.
16. The CMA believes that it cannot rely on entry and/or expansion being sufficiently timely, likely or sufficient to offset the effects of the Transactions on competition. Although a limited number of competitors indicated some intention to enter or grow their UK presence, the extent of growth envisaged is

generally very limited, and the available evidence did not establish that such entry and expansion will be timely and sufficient to replace the competitive constraint that would be lost by the Transactions.

17. The CMA is therefore considering whether to accept undertakings under section 73 of the Act. Hunter Douglas has until 27 March 2020 to offer an undertaking to the CMA that might be accepted by the CMA. If no such undertaking is offered, then the CMA will refer the Merger pursuant to sections 22(1) and 34ZA(2) of the Act.