

ANTICIPATED ACQUISITION OF MEGGITT PLC BY PARKER-HANNIFIN

**NOTICE OF PROPOSED UNDERTAKINGS OFFERED BY MEGGITT PLC AND
PARKER-HANNIFIN CORPORATION (THE PARTIES)**

Views are sought by 11:45pm on 13 July 2022 on the attached undertakings which are designed to mitigate public interest concerns in relation to the interests of competition raised by the proposed merger.

Intervention under the Enterprise Act 2002

1. On 18 October 2021, the Secretary of State for Business, Energy and Industrial Strategy (“the Secretary of State”) issued a public interest intervention notice under section 42(2) of the Enterprise Act 2002 (“the Act”) in relation to the proposed acquisition by Parker-Hannifin Corporation of the entire issued and to be issued ordinary share capital of Meggitt plc (“Meggitt”) (“the Merger”).¹ Under section 44 of the Act, the Secretary of State instructed the Competition and Markets Authority (“CMA”) to investigate the proposed acquisition and to report its findings by 18 March 2022.
2. On 18 March 2022, the CMA reported to the Secretary of State (the “SLC Report”). The SLC Report set out the CMA’s belief 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, the CMA’s assessment on competition, and summarised the representations it received relating to the national security public interest consideration specified in the intervention notice.
3. The Secretary of State received further advice directly from the Secretary of State for Defence about the national security implications of the merger which are being dealt with in a separate consultation.
4. In light of the report from the CMA the Secretary of State considers that he has the power, under section 45 of the Act, to refer the merger to the chair of the CMA for the constitution of a group under Schedule 4 to the Enterprise and Regulatory Reform Act 2013 to carry out a more detailed assessment. This is termed a “phase 2 inquiry”.
5. Alternatively, if the Secretary of State would otherwise be minded to refer the merger to a phase 2 inquiry, he may accept undertakings from the parties in lieu of such a reference to remedy, mitigate or prevent the competitive concerns, under paragraph 3 of Schedule 7 to the Act.

Competition concerns

6. The CMA advised the Secretary of State that it is or may be the case that:

¹ Parker and Meggitt together are referred to as the “Parties”.

- a. arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation;
- b. the creation of that merger situation may be expected to result in a substantial lessening of competition (“SLC”) within a market or markets in the UK for goods or services, affecting the supply of aircraft wheels and brakes (“AWB”) worldwide;
- c. it may be appropriate to accept UILs; and
- d. such UILs must meet certain minimum requirements, as set out in section 12 of the SLC Report.

Proposed undertakings

7. Parker has offered undertakings to address the competitive concerns identified in the CMA’s SLC report. These undertakings would result in the divestment of Parker’s entire AWB division (the “Divestment Business”) to a purchaser approved by the Secretary of State. The Divestment Business includes:
 - (a) all tangible assets (including the production site of the AWB division located at Avon, Ohio, USA, as well as the relevant inventory and equipment) and intangible assets (including intellectual property rights);
 - (b) all licences, permits, authorisations issued by any governmental organisation for the benefit of the Divestment Business;
 - (c) all contracts, leases, commitments, and customer orders of the Divestment Business;
 - (d) all customers credit and other records of the Divestment Business; and
 - (e) all staff currently employed by the Divestment Business, including staff seconded to the Divestment Business, shared personnel as well as certain additional personnel.
8. The text of the undertakings is being published alongside this consultation document (the “Proposed Undertakings”).
9. Parker has entered into an agreement for the sale of the Divestment Business to an upfront buyer approved by the Secretary of State. Parker has proposed Kaman Newco, LLC (together with Kaman Corporation, its subsidiaries, affiliates, and holding companies, “Kaman”) as the upfront buyer. The agreement between Parker and Kaman is conditional on the Secretary of State’s acceptance of the Proposed Undertakings, including approval of Kaman as the buyer of the Divestment Business.
10. After considering the advice of the CMA, the Secretary of State currently considers that, subject to responses to the consultation required by paragraph 2 of Schedule 10 of the Act, the Proposed Undertakings will remedy, mitigate or prevent the SLC identified in the SLC Report in a clear-cut manner, i.e., the Secretary of State currently

does not have material doubts about the overall effectiveness of the Proposed Undertakings or concerns about their implementation.

11. This is because the Divestment Business encompasses all of Parker's activities in AWB, and therefore removes the entire overlap between Parker and Meggitt which the CMA advised may result in competitive concerns in the SLC Report. The Secretary of State also considers that the Proposed Undertakings would be capable of ready implementation, in particular in light of the stand-alone operational nature of the Divestment Business (which, as noted above, includes the entirety of Parker's AWB business, including all customer, distributor and supplier relationships, the main tangible and intangible assets used by Parker to supply AWB, and all key personnel).
12. The Secretary of State considers that the approach set out in the CMA's Merger Remedies Guidance is informative when assessing the suitability of Kaman as the purchaser of the Divestment Business. In particular, the Secretary of State seeks to ensure that:
 - (a) the acquisition by Kaman remedies, mitigates or prevents the SLC concerned and any adverse effect resulting from it;
 - (b) Kaman is independent of and unconnected to the merging parties;
 - (c) Kaman has the necessary financial resources, expertise, incentive and intention to maintain and operate the Divestment Business as an effective competitor in the marketplace;
 - (d) Kaman is reasonably expected to obtain all necessary approvals, licences and consents from any regulatory or other authority; and
 - (e) the acquisition by Kaman does not itself create an SLC within any market or markets in the UK.
13. The Secretary of State currently believes that Kaman intends to run the business in line with its current business plans, providing financial support and collaborative support from Kaman's wider group of companies.
14. Furthermore, the Secretary of State has not identified any commercial or ownership links between Kaman and the Parties that would give rise to concerns, and does not consider that the sale of the Divestment Business would result in any realistic competition concerns in any market or markets in the UK.
15. Therefore, the Secretary of State currently considers Kaman to be a suitable purchaser of the Divestment Business, and that the sale of the Divestment Business would adequately address the competition concerns identified in the SLC Report. The Secretary of State therefore proposes to accept the undertakings instead of making a reference to a phase 2 inquiry.
16. The Secretary of State now publishes the Proposed Undertakings for consultation, and will consider any representations made before making a decision about whether to accept the Proposed Undertakings.

Consultation responses

17. Views are sought by 11.45pm **on 13 July 2022**. Responses should be sent to publicinterestandmergers@beis.gov.uk.

Disclosure, Confidentiality and Data Protection

18. We may publish non-confidential versions of the responses received on the GOV.UK website and may also refer to them in any response to the consultation, or in further publications related to the Secretary of State's decisions. We would be grateful if you would indicate in your response whether you would be content for your response to be published and submit a non-confidential version for publication highlighting any redactions you wish to make. It would also be helpful if you would indicate whether you are content for your name and/or the name of your organisation to be published either alongside your response, or if not, as having responded to the consultation.

19. All responses and personal data will be processed in compliance with the Data Protection Act 2018 and the General Data Protection Regulation. More information on disclosure, confidentiality and data protection is set out in the Privacy Notice associated with this consultation.

Related information

20. All documents published by the Department in relation to the proposed merger are available at: <https://www.gov.uk/government/consultations/proposed-acquisition-of-meggitt-plc-by-parker-hannifin-draft-competition-undertakings>

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