

Anticipated acquisition by Carpenter Co. of the engineered foams business of Recticel NV/SA

Summary of Provisional Findings

Notified: 28 September 2022

1. The Competition and Markets Authority (**CMA**) has provisionally found that the anticipated acquisition (the **Merger**) by Carpenter Co. (**Carpenter**) of the engineered foams business (**REF**) of Recticel NV/SA (**Recticel**) may be expected to result in a substantial lessening of competition (**SLC**) in:
 - (a) The supply of comfort foam in the UK.
 - (b) The supply of technical foam in the UK.
 - (c) The supply of converted comfort foam in the UK.
2. Carpenter and Recticel (together referred to as the **Parties**) requested to concede these three SLCs which were identified in the CMA's phase 1 decision (the **Phase 1 Decision**), accepting that the Merger may result in an SLC in each of these three markets. We accepted the Parties' request.
3. In our inquiry we used evidence and information gathered in phase 1 and undertook targeted additional information gathering, including publishing an Issues Statement and making a limited number of requests for information.
4. This is not our final decision and we invite any interested parties to make submissions on these provisional findings by no later than **17:00 hours on Wednesday 19 October 2022** by email to carpenter.recitel@cma.gov.uk. We will take all submissions received by this date into account in reaching our final decision.

Background to these provisional findings

The Parties and the Merger

5. Carpenter is a USA-headquartered manufacturer of a range of flexible polyurethane (**PU**) foam and foam-related products. In the UK, Carpenter supplies comfort foam, technical foam and converted comfort foam for a range of applications.
6. Recticel is a Belgium-headquartered manufacturer of flexible PU foam (through REF), bedding and insulation products. In the UK, REF supplies and converts both comfort and technical foam.
7. On 6 December 2021, Carpenter agreed to acquire 100% of the shares in the relevant Recticel companies that currently own all assets and liabilities of and operate REF, for €656 million (approximately £559 million).

Relevant merger situation

8. Our provisional view is that the Merger constitutes a relevant merger situation as it would result in Carpenter and REF ceasing to be distinct enterprises and because the share of supply test is met.

Provisional findings

Market outcome if the Merger did not take place

9. To determine the impact that the Merger may have on competition, we have considered what would have happened absent the Merger. This is known as the counterfactual. We have provisionally concluded that the counterfactual is the prevailing conditions of competition.

The relevant markets

10. We have considered the relevant markets by reference to which to examine the competitive effects of the Merger and we have provisionally found the following markets:
 - (a) the supply of comfort foam in the UK;
 - (b) the supply of technical foam in the UK; and
 - (c) the supply of converted comfort foam in the UK.

Our competitive assessment

11. We examined whether the Merger may lead to a significant reduction in competition between the Parties by removing an important competitor and, in doing so, whether the merged entity would be likely to worsen its offering compared to the situation if the Merger did not take place. This is a horizontal, unilateral effects theory of harm.
12. In respect of each of the three markets identified above we have provisionally found that the Parties compete closely and that the remaining competitive constraints are not sufficient to offset the loss of competition between them which may be expected to result from the Merger.

Barriers to entry and expansion

13. We have provisionally concluded that entry or expansion will not be timely, likely and sufficient to prevent any SLC arising from the Merger in relation to the supply of comfort foam, technical foam or converted comfort foam in the UK.

Provisional conclusion

14. As a result of our assessment, we have provisionally found that the Merger may be expected to result in an SLC in:
 - (a) the supply of comfort foam in the UK;
 - (b) the supply of technical foam in the UK; and
 - (c) the supply of converted comfort foam in the UK.
15. We invite any interested parties to make submissions on these provisional findings by no later than **17:00 hours on Wednesday 19 October 2022** by email to carpenter.recitel@cma.gov.uk.