

# Anticipated acquisition by Sika AG of MBCC Group

## Summary of provisional findings

**Notified: 25 October 2022**

### Overview

1. The Competition and Markets Authority (**CMA**) has provisionally found that the anticipated acquisition by Sika AG (**Sika**) of LSF11 Skyscraper Holdco S.à.r.l., the ultimate parent company of MBCC Group (**MBCC**) (the **Merger**) may be expected to result in a substantial lessening of competition (**SLC**) in the supply of chemical admixtures for cement, concrete and wet mortar in the United Kingdom (**UK**).
2. Sika and MBCC (together referred to as the **Parties**, or for statements referring to the future, the **Merged Entity**) requested to concede this SLC, which was identified in the CMA's phase 1 decision (**Phase 1 Decision**), accepting that the Merger may be expected to result in an SLC in this market. 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 on Tuesday 15 November 2022** by email to [sika.mbcc@cma.gov.uk](mailto:sika.mbcc@cma.gov.uk). We will take all submissions received by this date into account in reaching our final decision.

### Background to these findings

#### The Parties and the Merger

5. Sika is the Swiss-based parent-company of a global group that manufactures and supplies a broad range of products sold under the Sika brand and other group brands.

6. MBCC is a global group of companies headquartered in Germany that manufactures and supplies a broad range of products under brands including Master Builders Solutions.
7. Both Parties overlap in the supply of products used in the construction industry, including chemical admixtures.
8. On 10 November 2021, Sika agreed to acquire 100% of the shares in MBCC for approximately CHF 5.5 billion (approximately £4.5 billion).

### **The relevant merger situation**

9. Our provisional view is that the Merger constitutes a relevant merger situation as it would result in Sika and MBCC 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**

10. To determine the impact that the Merger may have on competition, we have considered what would have happened had the Merger not taken place. This is known as the counterfactual.
11. For an anticipated merger such as this, we generally adopt the prevailing conditions of competition as the counterfactual against which to assess the impact of the Merger.
12. We have provisionally concluded that the counterfactual is the prevailing conditions of competition. This takes into account the recently completed acquisition by Compagnie de Saint-Gobain S.A. of GCP Applied Technologies Inc (the **Saint-Gobain/GCP Merger**), both of which also supply of chemical admixtures in the UK. We have considered the impact of this, and other developments in the market in our competitive assessment.

#### **The market**

13. We have assessed the relevant market in which to examine the competitive effects of the Merger and have provisionally concluded that the relevant market is the supply of chemical admixtures for cement, concrete and wet mortar in the UK.

## **Nature of competition in the supply of chemical admixtures**

14. Chemical admixtures are specially formulated chemicals added to cementitious products (concrete, cement and mortar) to modify their properties in various ways, for example to slow their setting rate so they can be transported over longer distances. Chemical admixtures also enable concrete producers to reduce the amount of cement required to produce concrete, which not only cuts the overall cost of concrete production, but also reduces its environmental impact.
15. The specific chemical admixtures required by a customer depend on the desired properties of the ultimate cementitious product, the other raw materials used by the customer and their production technique. Suppliers typically offer a broad range of chemical admixtures and often customise existing formulations to meet a customer's specific requirements.
16. Suppliers of chemical admixtures compete over a range of parameters, including product performance, security of supply, price, technical expertise, product development and innovation. There is significant differentiation between chemical admixtures themselves, and between suppliers and their ability to compete across these parameters.

## **Competitive assessment**

17. We have looked at whether the Merger would 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.
18. Sika and MBCC are the two largest suppliers of chemical admixtures in the UK, together accounting for over half of the UK's supply.
19. We have provisionally found that the Parties compete closely across a range of parameters considered important by customers. The majority of market participants viewed the Parties as the strongest suppliers active in the UK. Customers identified the Parties' range of products, their size and scale, and their ability to support product development and innovation as important competitive strengths for both Parties. Some customers also identified the Parties as two of a small number of suppliers that have the scale and infrastructure to meet their requirements given the volumes of admixtures they require and the need for product to be delivered to their large network of production sites.

20. The CMA considered the current competitive constraint exerted by other suppliers and has provisionally found that other than the newly merged Saint-Gobain/GCP, all existing suppliers would exert only a limited constraint on the merged Parties.

### **Barriers to entry and expansion**

21. 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 chemical admixtures in the UK.

### **Provisional conclusion**

22. We have provisionally found that the anticipated acquisition by Sika of MBCC may be expected to result in a SLC as a result of horizontal unilateral effects in the supply of chemical admixtures for cement, concrete and wet mortar in the UK.
23. We invite any parties to make representations to us on these provisional findings by no later than **17:00 on Tuesday 15 November 2022**. Parties should refer to the notice of provisional findings for details of how to do this. Please make any response to these findings by email to [sika.mbcc@cma.gov.uk](mailto:sika.mbcc@cma.gov.uk).