

ANTICIPATED JOINT VENTURE BETWEEN ARÇELIK A.Ş. AND WHIRLPOOL CORPORATION

SUMMARY OF PROVISIONAL FINDINGS

8 FEBRUARY 2024

OVERVIEW

1. The Competition and Markets Authority (**CMA**) has provisionally found that the anticipated joint venture between Arçelik A.Ş. (**Arçelik**) and Whirlpool Corporation (**Whirlpool**) (the **Transaction**) may not be expected to result in a substantial lessening of competition (**SLC**) in the supply of major domestic appliance (**MDA**) products in the United Kingdom (**UK**).
2. Arçelik and Whirlpool are each a **Party** to the Transaction; together they are referred to as the **Parties** and, for statements referring to the situation post-completion of the Transaction, as the **Merged Entity**.
3. This is not our final decision, and we invite any interested parties to make representations to us on these provisional findings by no later than **5pm (UK time) on Thursday 29 February 2024**. Please make any responses to these provisional findings by email to Arcelik.Whirlpool@cma.gov.uk. We will take all submissions received by this date into account in reaching our final decision.

ABOUT THE PARTIES AND THEIR PRODUCTS

4. Arçelik and Whirlpool both supply a range of domestic appliances and related products, including MDAs and small domestic appliances (**SDAs**). In assessing the impact of this Transaction on competition, we have focussed on the overlap between the Parties in the supply of MDA products in the UK, in particular washing machines, tumble dryers, dishwashers, cookers, ovens and hobs (each referred to as an '**MDA category**').
5. In the UK, Arçelik supplies MDAs primarily under the Beko, Blomberg and Grundig brands; and Whirlpool supplies MDAs primarily under the Indesit, Hotpoint and Whirlpool brands.

6. The Transaction under investigation comprises, among other matters, the contribution by Arçelik of its European MDA and SDA businesses, and by Whirlpool of its Europe, Middle East and Africa (**EMEA**) MDA business, to Beko Europe B.V. (**Beko Europe**), a newly incorporated company established by Arçelik.

OUR ASSESSMENT

Why are we examining this Transaction?

7. The CMA's primary duty is to seek to promote competition for the benefit of UK consumers, including the investigation of mergers that could raise significant competition concerns in the UK where it has jurisdiction to do so.
8. In this case, the CMA has jurisdiction over the Transaction because the UK turnover of (a) Whirlpool's EMEA MDA business and/or (b) Arçelik's European MDA and SDA businesses in their most recent financial year is, in each case, in excess of the statutory threshold of £70 million.

How have we examined this Transaction?

9. In deciding whether a merger may be expected to result in an SLC, the question we are required to answer is whether there is an expectation – ie a more than 50% chance – that the merger may be expected to result in an SLC within any market or markets in the UK.
10. To determine whether this is the case, we have considered and augmented the information collected during the phase 1 investigation, including by gathering further evidence from a wide variety of sources, using our statutory powers where necessary, to assess the potential impact of the Transaction on competition in the UK.
11. We received several submissions and responses to information requests from the Parties and from third parties, and held a site visit and hearings with each of the Parties. The evidence we have received includes internal documents, views on the competitive landscape and the impact of the Transaction, and a range of quantitative evidence, including prices, volumes and financial performance. We have also collected evidence from the Parties' competitors regarding their future entry and/or expansion plans.
12. Based on this evidence, we have focussed on whether the Transaction may be expected to result in horizontal unilateral effects in one or several MDA categories. Horizontal unilateral effects can arise when one firm merges with a competitor, allowing the merged entity profitably to raise prices or degrade non-price aspects

of its competitive offering (such as quality, range, service and innovation) on its own and without needing to coordinate with its rivals.

13. When assessing whether a merger may be expected to result in an SLC as a result of horizontal unilateral effects, the CMA's main consideration is whether there are sufficient remaining good alternatives to constrain the merged entity. Amongst other factors, our assessment has therefore focussed on the extent to which the Parties compete closely in each MDA category; the Parties' plans and likely competitive position absent the Transaction; and the remaining constraint from alternative suppliers post-Transaction.

What would have happened absent the Transaction?

14. To determine the impact that the Transaction may have on competition, we have considered what would likely have happened absent the Transaction. This is known as the counterfactual.
15. Based on submissions received from the Parties, we have focussed in particular on Whirlpool's likely competitive trajectory absent the Transaction. In doing so, we have reviewed a significant volume of Whirlpool's internal documents, analysed several years of detailed financial data, and gathered evidence from potential alternative purchasers of Whirlpool's EMEA MDA business. These alternative purchasers provided an important external and independent source of evidence to corroborate Whirlpool's submissions and the information in its internal documents and data.
16. Based on this evidence, we have provisionally found that, absent the Transaction, Whirlpool's EMEA MDA business would likely have been smaller than it is presently, and it is likely that there would have been a review [REDACTED]. We consider that this is the appropriate counterfactual against which to assess the Transaction overall, and we have considered Whirlpool's likely future competitiveness in specific MDA categories as part of our competitive assessment. In doing so, we have provisionally found that Whirlpool would likely [REDACTED] the supply of washing machines ([REDACTED]); would likely [REDACTED] the supply of tumble dryers; and would likely [REDACTED] the supply of cookers.

What did the evidence tell us?

... about closeness of competition between the Parties

17. The evidence shows that the extent to which the Parties compete closely varies across MDA categories. In ovens and (particularly) hobs, the evidence shows that the Parties are not close competitors; they each have a relatively weak market position and face strong competition from several competitors.

18. In washing machines, tumble dryers, dishwashers and cookers, the Parties are two of the largest suppliers, and the Parties' products are similar in terms of price and functionality, with their sales concentrated in the 'low-mid' price range. Internal documents and third-party evidence also show that the Parties currently compete closely in each of these MDA categories. However, as noted above our provisional view is that, absent the Transaction, Whirlpool would likely [X] in the supply of washing machines, [X] the supply of tumble dryers and would likely [X] the supply of cookers.

... about the strength of other competitors

19. The evidence shows that there are several credible competitors to the Parties, although the competitor set varies across MDA categories and price points.
20. In each MDA category, a range of private label and retailer-exclusive brands sell a significant volume of products at 'low' or 'entry' price points. This includes Logik and Essentials at Currys, Bush at Argos and Lamona at Howdens. Although these products are primarily sold at lower price points than those of the Parties, some of these brands have expanded their range in recent years, and evidence from internal documents and third parties shows that they provide a competitive constraint on the Parties.
21. In each MDA category, other suppliers including the Haier Group (primarily through its Hoover and Candy brands) and Hisense, offer products at similar price points as the Parties. Haier Group is active across all MDA categories, and is a particularly close competitor to the Parties in washing machines and tumble dryers. The evidence shows that Hisense is currently only a moderate competitive constraint on the Parties, although based on evidence we have received from a range of sources – including third party views and documents – we consider that Hisense is well-placed to expand further, and the threat of such expansion would likely act as a material constraint on the Merged Entity.
22. Finally, the evidence shows that there are several established and credible suppliers offering products at 'mid-premium' price points, including BSH (primarily through its Bosch and Neff brands), Samsung and LG. These suppliers are comparatively strong in different MDA categories, eg BSH has a particularly strong market position in dishwashers, whilst Samsung is stronger in washing machines and tumble dryers than other categories. These suppliers' products are mostly sold at higher price points than those of the Parties, although they overlap with the mid to upper end of the Parties' ranges, and price is just one factor influencing consumer choice. Both third party views and internal documents show that these suppliers exercise a competitive constraint on the Parties, although the strength of this constraint varies across MDA categories.

... about the overall impact on competition in each MDA category

23. As summarised above, competitive conditions vary across MDA categories, as does the likely competitive position of Whirlpool absent the Transaction. In ovens and hobs, the evidence shows that the Parties have a comparatively weak market position, and are constrained by several strong competitors, including private label brands, BSH, Electrolux (through its Zanussi and AEG brands) and Haier Group. On this basis, our provisional view is that the Transaction may not be expected to raise significant competition concerns in the supply of ovens or hobs in the UK.
24. In cookers and tumble dryers, the evidence shows that Whirlpool would likely [X] absent the Transaction. We provisionally consider that Whirlpool would likely [X] cookers, and it would likely be a [X] in tumble dryers than it is currently. In light of the evidence on Whirlpool's future market position, our provisional view is that the Transaction may not be expected to raise significant competition concerns in the supply of cookers or tumble dryers in the UK.
25. In washing machines and dishwashers, the evidence shows that the Parties are close competitors, but are constrained by several alternative suppliers, including private label brands, the Haier Group, Hisense, BSH and Samsung. In washing machines, the evidence also shows that Whirlpool's future market position is likely to be different than it is currently – ie it [X] absent the Transaction. On this basis, our provisional view is that the Transaction may not be expected to raise significant competition concerns in the supply of washing machines or dishwashers in the UK.

PROVISIONAL CONCLUSION

26. Our provisional conclusion is therefore that the Transaction, if implemented, will result in the creation of a relevant merger situation, but that situation may not be expected to result in an SLC within any market or markets in the UK, including for the supply of each of washing machines, tumble dryers, dishwashers, cookers, ovens and hobs.