

Completed acquisition by Lindab International AB of HAS-Vent Holdings Limited

ME/7079/23

SUMMARY

1. The Competition and Markets Authority (**CMA**) has found that the completed acquisition by Lindab International AB (**Lindab**) of HAS-Vent Holdings Limited (**HAS-Vent**) gives rise to a realistic prospect of a substantial lessening of competition (**SLC**) as a result of horizontal unilateral effects in the supply of circular ducts and fittings in England and Wales.
2. Lindab, via Lindab Limited (**Lindab UK**), acquired the entire issued share capital of HAS-Vent pursuant to a sale and purchase agreement on 5 October 2023. The CMA refers to this acquisition as the **Merger**. Lindab and HAS-Vent are collectively referred to as the **Parties**, and, for statements relating to the future, the **Merged Entity**.
3. As the CMA has found that the Merger gives rise to a realistic prospect of an SLC, Lindab has until 3 May 2024 to offer undertakings in lieu of a reference (**UILs**) to the CMA that will remedy the competition concerns identified. If no such undertaking is offered, or the CMA decides that an undertaking offered is insufficient to remedy its concerns to the phase 1 standard, then the CMA will refer the Merger for an in-depth phase 2 investigation pursuant to sections 22(1) and 34ZA(2) of the Enterprise Act 2002 (the **Act**).

Who are the businesses and what products/services do they provide?

4. Lindab is a ventilation company, active in the UK primarily through Lindab UK and Ductmann Limited (**Ductmann**), which both manufacture and distribute ventilation system products, including ducts and fittings. Lindab operates 21 branches in England and Wales.
5. HAS-Vent is also active in the manufacture and distribution of ventilation system products, including ducts and fittings, in England and Wales. HAS-Vent operates from a total of 10 branches.
6. The CMA assessed whether the merger could substantially lessen competition in the supply of the following ventilation products:
 - (a) Circular ducts and fittings: generally, on commercial projects, circular ductwork is used for the secondary ductwork (ie lower air volumes).

- (b) Flat oval ducts and fittings: flat oval ducts are typically used where the system is on show and there is limited ceiling void space.

Why did the CMA review this merger?

- 7. The CMA's primary duty is to seek to promote competition for the benefit of consumers. It has a duty to investigate mergers that could raise competition concerns in the UK, provided it has jurisdiction to do so. In this case, the CMA has concluded that the CMA has jurisdiction to review this Merger because a relevant merger situation has been created. The CMA believes it is or may be the case that each of the Parties is an enterprise that ceased to be distinct as a result of the Merger and the share of supply test is met.

What evidence has the CMA looked at?

- 8. In assessing this Merger, the CMA considered a wide range of evidence in the round.
- 9. The CMA received several submissions and responses to information requests from the Parties, and examined a number of the Parties' own internal documents. The information the CMA gathered about competitive dynamics in circular and flat oval ducts and fittings included information on the importance of local branch networks for the distribution of these products to end-use customers.
- 10. The CMA also spoke to and gathered evidence from other companies and organisations active in the sector to better understand the competitive landscape and obtain views on the impact of the Merger.

What did the evidence tell the CMA...

...about the effects on competition of the Merger?

- 11. The CMA looked at whether the Merger would lead to an SLC as a result of horizontal overlaps between the Parties in the markets for:
 - (a) the supply of circular ducts and fittings in England and Wales; and
 - (b) the distribution of flat oval ducts and fittings in England and Wales.
- 12. The CMA also looked at the vertical relationship between the Parties in flat oval ducts and fittings, where HAS-Vent is active in the upstream manufacture of flat oval ducts and fittings and Lindab is active downstream in the distribution of such products.

Theory of harm 1: horizontal unilateral effects in the supply of circular ducts and fittings

- 13. The CMA believes that the Merger raises significant competition concerns as a result of horizontal unilateral effects in the supply of circular ducts and fittings. The evidence indicates that:
 - (a) Lindab is the market leader and HAS-Vent is the second largest supplier.

- (b) The Merged Entity will supply around half the market and will be the largest supplier by a significant margin. All other competitors are considerably smaller than the Merged Entity.
- (c) Internal documents and third-party evidence indicate that the Parties are close competitors, and that the Merger would eliminate a strong competitor.
- (d) Some customers and nearly all competitors expressed concerns about the impact of the Merger on competition.

Theory of harm 2: horizontal unilateral effects in the distribution of flat oval ducts and fittings

14. The CMA found that the Merger will not give rise to competition concerns in the distribution of flat oval ducts and fittings.
- (a) While HAS-Vent is the largest distributor of flat oval ducts and fittings, and has access to its own manufacturing capacity, Lindab distributes only a very small volume of sales.
 - (b) Post-Merger the Merged Entity will be constrained by two sizeable rivals in the distribution of flat oval ducts and fittings (Air Trace Sheet Metal and Wells Spiral Tubes), both of which have access to their own manufacturing capacity.
 - (c) There are also a number of other smaller competitors active in the distribution of flat oval ducts and fittings, and the CMA has seen evidence that some of these distributors may be able to expand and grow their distribution activities.

Theory of harm 3: customer foreclosure in flat oval ducts and fittings

15. The CMA found that the Merged Entity would not have the ability to foreclose manufacturers of flat oval ducts and fittings. The CMA found that Lindab is not a sufficiently important customer for the distribution of flat oval ducts and fittings, and manufacturers have other distributors and direct sales channels which they can switch to. Therefore, there is no realistic prospect of the Merger giving rise to an SLC on this basis.

What happens next?

16. As a result of these concerns, the CMA believes that it is or may be the case that the merger has resulted or may be expected to result in an SLC in the supply of circular ducts and fittings in England and Wales. Lindab has until 3 May 2024 to offer an undertaking which might be accepted by the CMA to address the SLC. If no such undertaking is offered, or the CMA decides that any undertaking offered is insufficient to remedy its concerns to the phase 1 standard, then the CMA will refer the Merger for an in-depth phase 2 investigation pursuant to sections 22(1) and 34ZA(2) of the Act.