

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

## Decision on relevant merger situation and substantial lessening of competition

**ME/7079/23**

The Competition and Markets Authority’s decision on relevant merger situation and substantial lessening of competition under section 22 (1) of the Enterprise Act 2002 given on 26 April 2024. Full text of the decision published on 28 May 2024.

The Competition and Markets Authority (**CMA**) has excluded from this published version of the decision information which the CMA considers should be excluded having regard to the three considerations set out in section 244 of the Enterprise Act 2002 (specified information: considerations relevant to disclosure). The omissions are indicated by [X]. Some numbers have been replaced by a range, which are shown in square brackets.

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# 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.

# ASSESSMENT

## 1. PARTIES, MERGER AND MERGER RATIONALE

### 1.1 Lindab

17. Lindab is a ventilation company headquartered in Sweden and listed on the Nasdaq Stockholm exchange. In the UK, Lindab is primarily active through Lindab UK and Ductmann, which both manufacture and distribute ventilation system products, including ducts and fittings.<sup>1</sup> Lindab UK is headquartered in Northampton and operates from a total of 22 branches (19 of which are in England and Wales, while Ductmann, headquartered in Bilston, operates from a total of 2 branches (both in England)).<sup>2</sup> Lindab is also active in the UK via the following additional subsidiaries:

- (a) Disys Technologies Limited, a company based in the UK that manufactures control systems and smoke dampers used in ventilation systems (whose products are also sold by Lindab UK);
- (b) Firmac UK Limited, a company based in the UK that manufactures machines that make rectangular ducts;
- (c) Spiro International SA (**Spiro**), a company based in Switzerland that manufactures and supplies machines for making circular and flat oval ducts; and
- (d) Lindab Sp. z o.o. (**Direct Vent**), a company based in Poland that manufactures and supplies pressed circular fittings (whose products are also sold by Ductmann).

18. Lindab's total turnover in the UK was £[REDACTED] in 2023.<sup>3</sup>

### 1.2 HAS-Vent

19. HAS-Vent is a UK company headquartered in Wombourne, also active in the manufacture and distribution of ventilation system products, including ducts and

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<sup>1</sup> Lindab's response of 31 October 2023 to the CMA's request for information of 24 October 2023, page 1; Lindab's Part 2 response of 14 November 2023 to the CMA's Enquiry Letter of 7 November 2023 (**Enquiry Letter Response Part 2**), pages 4-5.

<sup>2</sup> Enquiry Letter Response Part 2, pages 6-7, 10 and 18. Throughout this Decision we refer to the total number of branches owned by Lindab, which is the sum of the Lindab UK and Ductmann branches.

<sup>3</sup> Enquiry Letter Response Part 2, page 1.

fittings.<sup>4</sup> HAS-Vent operates from a total of 10 branches, all located in England.<sup>5</sup> HAS-Vent's turnover in the UK was £[<] in 2023.<sup>6</sup>

### 1.3 The Merger

20. Lindab, via Lindab UK, acquired the entire issued share capital of HAS-Vent for approximately £[<] million pursuant to a sale and purchase agreement dated 5 October 2023.<sup>7</sup> The transaction also completed on 5 October 2023.

### 1.4 Merger rationale

21. Lindab submitted that the main rationale for the Merger is to:

- (a) strengthen Lindab's market position in the supply of circular products in the UK; and
- (b) allow Lindab to expand in the supply of rectangular, flat oval and Colorduct products.<sup>8</sup>

22. The Parties further submitted that the Merger rationale did not include a proposal for Lindab to raise prices in the UK. The Parties argued that this indicated that, while Lindab would acquire market share as a result of the Merger, it did not believe this would result in Lindab holding such a degree of market power that it could raise prices.<sup>9</sup> Further, according to the Parties, the absence of any mention that the Merger would enable Lindab to raise prices is evidence that this was not part of the rationale of the Merger.<sup>10</sup>

23. Lindab's internal documents broadly support that the Merger is expected to strengthen Lindab's market position and lead to several synergies, [<].<sup>11</sup> The internal documents also indicate, however, that Lindab considered HAS-Vent to be a significant constraint that would be removed by the Merger; one internal document states that '[<]'.<sup>12</sup> Contrary to the Parties' submissions, the CMA does not consider that the absence of any reference to the Merger enabling Lindab to raise prices is conclusive evidence that this was not part of the Merger rationale. Furthermore, the CMA's assessment is not confined to the question as to whether raising prices was a part of the Merger rationale, rather the CMA is required to

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<sup>4</sup> Lindab's response of 31 October 2023 to the CMA's request for information of 24 October 2023, page 1.

<sup>5</sup> Enquiry Letter Response Part 2, page 19.

<sup>6</sup> Enquiry Letter Response Part 2, page 1.

<sup>7</sup> Lindab Internal Document, Annex 96, '096- Lindab-s109(1a)-Q4-Share Purchase agreement dated 05 October 2023', 5 October 2023, page 9.

<sup>8</sup> Enquiry Letter Response Part 2, page 11. HAS-Vent's Colorduct product is a form of coloured ducting.

<sup>9</sup> Parties' submission to the CMA, 18 March 2024, page 5.

<sup>10</sup> Parties' annotated response to the Issues Letter, 8 April 2024, page 5.

<sup>11</sup> Lindab Internal Document, Annex 119, '[<]', 3 July 2023, page 3 and Lindab Internal Document, Annex 047, '[<]', 11 June 2023, slide 1.

<sup>12</sup> Lindab Internal Document, Annex 047, '[<]', 11 June 2023, slide 1.



assess whether the Merger would substantially lessen competition. Where competition is substantially lessened, for example through strengthening a market position and eliminating a competitor, a supplier is likely to have the ability to raise prices. The market position of each of the Parties, and the Merged Entity, is assessed in detail in section 5 below.

## 2. PROCEDURE

24. The CMA's mergers intelligence function identified the Merger as warranting an investigation.<sup>13</sup>
25. As part of its phase 1 investigation, the CMA gathered evidence from the Parties. This included responses to information requests and internal documents to understand the product and geographic scope of the Parties' business activities and the competitive landscape of the markets in which the Parties are active. The Parties also had opportunities to make submissions and comment on our emerging thinking throughout the phase 1 investigation. For example, on 3 April 2024 the CMA invited the Parties to attend an Issues Meeting, and the Parties submitted their views in writing. The CMA also gathered evidence from other market participants, such as competitors and customers of the Parties. The evidence the CMA has gathered has been tested rigorously, and the context in which the evidence was produced has been considered when deciding how much weight to place on it.
26. Where necessary, this evidence has been referred to within this Decision.
27. The Merger was considered at a Case Review Meeting.<sup>14</sup>

## 3. JURISDICTION

28. A relevant merger situation exists where two or more enterprises have ceased to be distinct, either the turnover or share of supply test is met, and, in the case of completed mergers, the four-month deadline has not yet expired.<sup>15</sup>
29. Each of Lindab and HAS-Vent is an enterprise within the meaning of section 129 of the Act. As a result of the Merger, Lindab has acquired the entire issued share capital of HAS-Vent. Accordingly, Lindab and HAS-Vent have ceased to be distinct for the purposes of sections 23(1) and 26 of the Act.
30. The share of supply test is met where the merger results in a combined share of supply or acquisition of goods or services of any description of 25% or more in the

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<sup>13</sup> [Mergers: Guidance on the CMA's jurisdiction and procedure \(CMA2\)](#), January 2021 (as amended on 4 January 2022), paragraphs 6.4–6.6.

<sup>14</sup> [CMA2](#), from page 65.

<sup>15</sup> [CMA2](#), paragraphs 4.1–4.3.

UK or a substantial part of it. In this regard, the Parties overlap in the supply of circular ducts and fittings in England and Wales, and post-Merger have a combined share of supply by revenues of [40-50]% in 2023 with a [10-20]% increment (see Table 1 below). The CMA therefore considers that the share of supply test in section 23(2)(a) of the Act is met.

31. The Merger completed and was first made public on 5 October 2023.<sup>16</sup> The four-month deadline for a decision under section 24 of the Act is 29 April 2024, following extensions under sections 25(1) and 25(2) of the Act.<sup>17</sup>
32. The CMA therefore believes that it is or may be the case that a relevant merger situation has been created.
33. The initial period for consideration of the Merger under section 34ZA(3) of the Act started on 29 February 2024 and the statutory 40 working day deadline for a decision is therefore 26 April 2024.

## 4. COUNTERFACTUAL

34. The CMA assesses a merger's impact relative to the situation that would prevail absent the merger (ie the counterfactual).<sup>18</sup>
35. Typically, the relevant counterfactual against which to assess a completed merger is the pre-merger conditions of competition. In this case, the CMA has not received submissions from the Parties or other evidence to support assessing the Merger against an alternative counterfactual. Therefore, the CMA believes the pre-Merger conditions of competition to be the relevant counterfactual.

## 5. COMPETITIVE ASSESSMENT

### 5.1 Background

36. The Parties overlap in the manufacture and/or distribution of a range of ventilation system components. This includes three different types of ventilation ducts: circular, rectangular and flat oval ducts, although circular ducts represent the majority of each Parties' duct sales. The type of ventilation system required for a building and the ducts to be used in its construction will be determined by a combination of the air volumes required and physical project constraints.

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<sup>16</sup> Lindab's Part 1 response of 9 November 2023 to the CMA's Enquiry Letter of 7 November 2023 (**Enquiry Letter Response Part 1**), page 2.

<sup>17</sup> Email from authorised representative for Lindab and HAS-Vent to the CMA, of 17 November 2023 agreeing to a 20-working day extension to the four-month clock. The Parties failed to comply with the requirements of two notices issued under section 109 of the Act of 7 November 2023 and 1 December 2023 respectively (with or without a reasonable excuse), resulting in the CMA issuing two notices to extend the four-month period.

<sup>18</sup> [Merger Assessment Guidelines \(CMA129\)](#), March 2021, paragraph 3.1.

Generally, on commercial projects, rectangular ducts are used for the primary ductwork (ie large air volumes) and circular ductwork is used for the secondary ductwork (ie lower air volumes). Flat oval ductwork is typically used where the system is on show and there is limited ceiling void space.<sup>19</sup>

37. Each type of ventilation duct is typically sold together with its associated fittings. In the case of circular ducts, the fittings can be either fabricated or pressed. Pressed fittings in contrast to fabricated fittings are made using automated machines and are generally used for smaller, more common circular duct sizes, whereas fabricated fittings are generally used to connect larger circular ducts. Most fabricated fittings are manufactured in the UK whereas pressed fittings are typically imported.<sup>20</sup>
38. HAS-Vent is active in the manufacture and distribution of all three types of ducts and their fittings, except it does not manufacture pressed circular fittings, which it instead purchases from third parties (and it also purchases some fabricated fittings from third parties). Lindab manufactures and distributes circular and rectangular ducts and fittings, including both fabricated circular fittings which it manufactures in the UK and pressed circular fittings, manufactured by its Polish subsidiary, Direct Vent. In contrast to HAS-Vent, Lindab distributes flat oval ducts and fittings, which it sources from a third-party manufacturer ([X]), but does not manufacture flat oval products.
39. Both Parties (and their competitors) supply a range of other ventilation system components, including dampers, grilles/diffusers, fans, and flange/hanging support.<sup>21</sup> HAS-Vent sources all of these products from third-party manufacturers, whereas Lindab manufactures dampers and grilles/diffusers itself. Lindab also manufactures and distributes fire rated ductwork and fire control systems but neither of these products are sold by HAS-Vent.
40. Manufacturers of ducts and fittings generally sell their products through:
  - (a) direct sales to end-use customers (ie installers and contractors who install the ductwork into buildings) from their own manufacturing facility or local branch network; and/or
  - (b) sales to independent third-party distributors (who resell ventilation system components to end-use customers).

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<sup>19</sup> Part 1 response of Lindab and HAS-Vent of 8 December 2023 to the CMA's second Section 109 Notice dated 1 December 2023, page 6.

<sup>20</sup> Part 1 response of Lindab and HAS-Vent of 8 December 2023 to the CMA's second Section 109 Notice dated 1 December 2023, question 4.

<sup>21</sup> Dampers are used to regulate or shut off air supply in a ventilation duct. Grilles/diffusers use air to ventilate, cool or heat a room and are used to control room temperature.

41. Customers typically purchase ducts (and especially circular ducts) alongside other ventilation system components from a single supplier.<sup>22</sup> Indeed, almost all customers responding to the CMA's investigation confirmed that offering a wide range of ventilation system components is an important or very important consideration when choosing a supplier.<sup>23</sup>

## 5.2 Market definition

42. Where the CMA makes an SLC finding, this must be 'within any market or markets in the United Kingdom for goods or services'. An SLC can affect the whole or part of a market or markets. Within that context, the assessment of the relevant market(s) is an analytical tool that forms part of the analysis of the competitive effects of the merger and should not be viewed as a separate exercise.<sup>24</sup>
43. Market definition involves identifying the most significant competitive alternatives available to customers of the merger parties and includes the sources of competition to the merger parties that are the immediate determinants of the effects of the merger.
44. While market definition can be an important part of the overall merger assessment process, the CMA's experience is that in most mergers, the evidence gathered as part of the competitive assessment, which will assess the potentially significant constraints on the merger parties' behaviour, captures the competitive dynamics more fully than formal market definition.<sup>25</sup>

### 5.2.1 Product market

45. For the purposes of its investigation, the CMA has focused on the following overlaps between the Parties:
- (a) The manufacture and distribution of circular ducts and fittings to end-use customers (ie point (a) identified at paragraph 40 above), hereafter referred to as the **supply of circular ducts and fittings**; and
  - (b) The distribution of flat oval ducts and fittings to end-use customers (hereafter referred to as the **distribution of flat oval ducts and fittings**).

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<sup>22</sup> Notes of calls with third-parties dated 7 December 2023 and 30 January 2024.

<sup>23</sup> Third-party responses to the CMA's customer questionnaire, question 3.

<sup>24</sup> [CMA129](#), paragraph 9.1.

<sup>25</sup> [CMA129](#), paragraph 9.2.

46. The CMA has also considered the vertical relationship between HAS-Vent's activities in the manufacture of flat oval ducts and fittings and both Parties' activities in the distribution of such products.<sup>26</sup>

#### 5.2.1.1 Parties' submissions

47. The Parties submitted that circular, rectangular and flat oval ducts and fittings are substitutable with one another from a demand-side perspective for most purposes, with the choice between each type turning primarily on the individual preferences of a customer.<sup>27</sup> The Parties also submitted that customers will switch (from flat oval to rectangular, or circular to rectangular) if the price is too high.<sup>28</sup> From a supply-side perspective the Parties acknowledged that different machinery is required depending on the duct shape but noted that machine operators for all types of ducts can work on any machine type as they require similar skills. Nevertheless, on a cautious basis, and in line with the Office for Fair Trading (OFT)'s decision in *Lindab/CCL*,<sup>29</sup> the Parties accepted that each of the three types of ducts and fittings may belong to separate product markets.<sup>30</sup> The Parties also acknowledged that there are significant price differences between the different types of duct.<sup>31</sup>
48. The Parties submitted that, while they are not demand- or supply-side substitutes, each type of duct can be considered together with their fittings, given they are typically sold together. However, the Parties also submitted that circular ducts sold by manufacturers could only be considered together with the fabricated fittings that

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<sup>26</sup> The Parties also overlap in the supply of rectangular ducts and fittings, however due to the Parties' low combined shares of supply and the number of alternative suppliers, the CMA did not consider this overlap to give rise to competition concerns and therefore it is not discussed further in this Decision. The Parties also overlap in the distribution of other ventilation system components. Given the evidence received that customers typically purchase ducts (and especially circular ducts) together with other ventilation system components, the CMA has taken into account the Parties' activities in relation to other ventilation system components where relevant in its competitive assessment of the Parties' overlap in circular ducts and fittings. Additionally, Lindab is active in the supply of the machines used for making ducts. Given the relevance of these machines for entry and expansion of rivals in the supply of circular ducts and fittings, the CMA has taken into account Lindab's activities in the supply of these machines where relevant in its competitive assessment of the Parties' overlap in circular ducts and fittings. Furthermore, given Lindab's plans, post-Merger, for HAS-Vent [redacted] (and a complaint received by the CMA [redacted] from Vento Group, HAS-Vent's current supplier of pressed-fittings) the CMA also considered whether the Merged Entity could foreclose rival pressed fitting suppliers. However, as the relevant geographic market for the manufacture of pressed fittings is likely Europe-wide, the CMA considers that HAS-Vent is a relatively insignificant purchaser of pressed fittings and therefore [redacted] is unlikely to foreclose rival pressed fittings suppliers.

<sup>27</sup> Parties' submission to the CMA, 18 March 2024, page 7.

<sup>28</sup> Parties' Issues Meeting presentation, slide 4.

<sup>29</sup> [ME/2623/06 Anticipated acquisition by Lindab AB \(Lindab\) of CCL Veloduct Limited \(Lindab/CCL\)](#).

<sup>30</sup> Parties' submission to the CMA, 18 March 2024. This is different from a previous submission from the Parties – Enquiry Letter Response Part 2, pages 4-5 – where the Parties argued that they overlap in the (i) manufacture and distribution of circular ducts and fittings and (ii) the distribution of all building ventilation system components.

<sup>31</sup> Part 1 response of Lindab and HAS-Vent of 8 December 2023 to the CMA's second Section 109 Notice dated 1 December 2023, page 6; CMA note of the Issues Meeting, 3 April 2024, page 2.

they manufacture, given that pressed fittings and imported fabricated fittings may be sold separately.<sup>32</sup>

#### 5.2.1.2 CMA's assessment

49. The relevant product market is identified primarily by reference to demand-side substitution.<sup>33</sup> In assessing demand-side substitution the CMA typically considers evidence as to the extent to which customers would switch between one product to another in response to a small but significant increase in price (or equivalent reduction in the value offered to customers in terms of quality, range or service).<sup>34</sup> The CMA has not received evidence suggesting that customers would switch between circular, rectangular, and oval ducts and fittings to any material degree.<sup>35</sup>
50. Furthermore, the evidence that the CMA has received indicates that:
- (a) Circular, rectangular, and oval ducts and fittings differ significantly in price, with rectangular ducts being more expensive to manufacture than circular ducts, and flat oval ducts being more expensive than both rectangular and circular ducts, and also less frequently used than either rectangular or circular ducts.<sup>36</sup> Significant price differences between different categories of products is typically evidence that these products are not direct substitutes.
  - (b) Circular ducts are standardised products made to UK and European specifications, whereas rectangular and flat oval ducts are tailor-made to the specific requirements of installers.<sup>37</sup>
  - (c) The choice of duct will take into account several factors, including air volumes required and physical projects constraints.<sup>38</sup> Rectangular ducts are generally used for large air volumes and circular ducts for lower air volumes, while flat oval ducts are generally used when the ventilation system is on show and there is limited ceiling void space.<sup>39</sup> The Parties also acknowledged that the choice between rectangular and circular ducts will be

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<sup>32</sup> The Parties also submitted that ducts can be of varying grade or quality, with some ducts made of thicker steel with a thicker galvanised coating (typically referred to as meeting the DW144 specification). However, the Parties submitted that all circular ducts are made on the same circular manufacturing machines, and that any manufacturer can make ducts to any standard. The CMA has not received any evidence to suggest that circular ducts are differentiated according to quality or grade, so this is not discussed further in this Decision.

<sup>33</sup> [CMA129](#), paragraph 9.7.

<sup>34</sup> [CMA129](#), paragraph 9.7.

<sup>35</sup> The CMA notes that where there are only a small number of isolated examples of switching between products, this will be insufficient to conclude that the products in question are demand-side substitutes and should be included in the same relevant product market.

<sup>36</sup> Part 1 response of Lindab and HAS-Vent of 8 December 2023 to the CMA's second Section 109 Notice dated 1 December 2023, page 6.

<sup>37</sup> Parties' submission to the CMA, 18 March 2024, page 7.

<sup>38</sup> Part 1 response of Lindab and HAS-Vent of 8 December 2023 to the CMA's second Section 109 Notice dated 1 December 2023, page 6.

<sup>39</sup> Part 1 response of Lindab and HAS-Vent of 8 December 2023 to the CMA's second Section 109 Notice dated 1 December 2023, page 6.

dependent on the ceiling profile of a building, with rectangular ducts offering a greater range of size combinations.<sup>40</sup>

- (d) For some projects, the choice of duct will be decided by building designers and external consultants. Once the decision is taken, installers procure the required ducts and fittings and cannot in general switch to different types of ducts and fittings from those specified in the design.<sup>41</sup>

51. The CMA has also considered whether in this case there are supply-side factors which may lead the CMA to aggregate narrower markets and therefore consider all three types of ducts as part of a single product market.<sup>42</sup> The evidence that the CMA has received does not indicate that this is the case:

- (a) The competitor set in the manufacture of circular, rectangular and flat oval products is different. In particular, the competitor set for rectangular ducts is wider than for circular and flat oval ducts, as customers are able to self-supply and do so to meet all or some of their needs.<sup>43</sup> There are also fewer manufacturers and distributors of flat oval ducts compared to either circular or rectangular ducts.<sup>44</sup>
- (b) Different machinery is required depending on the duct shape, so that firms cannot shift their production capacity between different types of ducts depending on the demand for each.

52. The Parties submitted that there are some instances where a customer may switch between types of ducts; for example, where they identify a significantly cheaper option or where they find that their preferred type of duct is not available at the time they need it. Evidence of limited instances of switching between products, particularly when driven by significant price differences or a lack of access to one type of product, is not usually evidence of general substitutability between those products.

53. The CMA does not therefore consider it is appropriate to aggregate circular, rectangular and flat oval ducts into a single product market.<sup>45</sup>

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<sup>40</sup> Part 1 response of Lindab and HAS-Vent of 8 December 2023 to the CMA's second Section 109 Notice dated 1 December 2023, page 6; CMA note of the Issues Meeting, 3 April 2024, page 2.

<sup>41</sup> Only one customer indicated that if HAS-Vent was not available as a supplier of flat oval ducts and fittings, they would persuade their customer to choose a similar rectangular duct size.

<sup>42</sup> [CMA129](#), paragraph 9.8.

<sup>43</sup> The Parties submitted that customers can self-supply rectangular ducts and fittings (see Parties' submission to the CMA, 18 March 2024, page 18). This was supported by evidence from third parties, with a number of customers telling the CMA they can self-supply rectangular ducts and fittings in full or in part.

<sup>44</sup> HAS-Vent's Part 2 response of 13 December 2023 to the CMA's second Section 109 Notice dated 1 December 2023, page 4.

<sup>45</sup> The CMA also notes ducts can be of varying quality or grade. Some ducts are made of thicker steel with a thicker galvanised coating (typically referred to as meeting the DW144 specification). The Parties submitted that all circular ducts are made on the same circular manufacturing machines by the same operator, and that any manufacturer can make ducts to any standard. The CMA has not received any evidence that differing quality or grade is a basis for defining separate product markets.



54. While ducts and their fittings are not demand substitutes<sup>46</sup>, customers typically purchase ducts and fittings from the same supplier, which suggests it is appropriate to consider each type of duct with their respective fittings as each forming a single product market.<sup>47</sup> In respect of circular ducts, the CMA also considers it is appropriate to include both pressed fittings and fabricated fittings (whether manufactured or imported by a circular duct supplier) for this purpose, given that, contrary to the Parties' submissions, the Parties and most of their competitors sell both types of fittings with their circular ducts.<sup>48</sup>
55. Finally, we note that Lindab is only active in the distribution and not the manufacture of flat oval ducts and fittings (while HAS-Vent is active in both the manufacture and distribution of such products). In light of this, the CMA considers that it is appropriate to consider the distribution of flat oval products separately from the manufacture of these products.
56. On the basis of the evidence set out above, the CMA therefore considers that the appropriate product markets are:
- (a) the supply of circular ducts and fittings;
  - (b) the distribution of flat oval ducts and fittings; and
  - (c) the manufacture of flat oval ducts and fittings (for the purposes of assessing the vertical relationship between HAS-Vent's activities at this level with the Parties' activities in the distribution of such products).

## 5.2.2 Geographic market

### 5.2.2.1 Supply of circular ducts and fittings

#### 5.2.2.1.1 Parties' submissions

57. The Parties initially submitted that circular ducts and fittings had been considered by the OFT in *Lindab/CCL* on a national, regional and local basis, with the latter based on catchment areas in which each branch derives 80% of its revenues. The Parties accordingly submitted shares of supply both for the UK and for local catchment areas around each of their branches, initially defined as a [X]-mile

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<sup>46</sup> See paragraph 37.

<sup>47</sup> [CMA129](#), paragraph 9.8(b).

<sup>48</sup> While the Parties do not overlap in the manufacture of pressed fittings, which are instead imported by the Parties (and HAS-Vent also imports some of its fabricated fittings) the Parties distribute both types of fittings alongside the circular ducts that they manufacture. Evidence from third parties indicates that most, if not all, of the Parties' competitors in the supply of circular ducts also sell either pressed or fabricated fittings alongside their circular ducts (see for example: notes of calls with a third-party, 3 January 2024 and 8 February 2024, paragraph 5; Note of a call with a third-party, 15 December 2023, paragraph 3 and 14; Note of a call with a third-party, 15 December 2023, paragraph 29). In view of this, whether or not imported pressed fittings and fabricated fittings are included in the relevant product market, does not significantly alter the competitive assessment, as discussed further at paragraph 79(a) below.



radius around each branch. The Parties indicated that customers usually place orders by phone or online and expect supplies to be delivered either to the site at which the ventilation system is being installed or at their own address. As a result, the Parties submitted it is not critical to customers where the distributor is located, as long as it can get the ordered supplies delivered in a timely manner.<sup>49</sup>

58. The Parties submitted that competition is primarily on price and that while some parameters of competition are set at a national level, competition for customers takes place at the branch level (except with respect to a small number of large customers).<sup>50</sup>
59. At a later stage in the investigation, the Parties provided the following additional submissions:
- (a) The catchment areas in which the Parties' branches generate 80% of their revenue are on average defined as a 77 minute drive-time for Lindab branches and 74 minute drive-time for HAS-Vent branches.<sup>51</sup>
  - (b) The geographic market for circular ducts and fabricated fittings is at its widest Great Britain, and most likely no larger than England and Wales.<sup>52</sup> According to the Parties, the bulky nature of the ducts makes transport to Northern Ireland and Scotland uneconomical. While Lindab has branches in Scotland and Northern Ireland, HAS-Vent does not [X]. The Parties were [X] unaware of other manufacturers in England that make material volumes of sales in Scotland.
  - (c) A distinction can be drawn between sales to distributors and installers.<sup>53</sup> According to the Parties, distributors place large orders that justify the cost of transport over large areas. They also order to restock their warehouses and such orders are not time critical. By contrast, manufacturers that supply installers usually only supply installers that are relatively local to their manufacturing facility, unless the installer is able to place a large enough order to justify the higher transport costs involved (or for the manufacturer to justify a reduced margin). For installers, overall cost and delivery on short notice and on time are critical considerations.

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<sup>49</sup> Enquiry Letter Response Part 2, page 9.

<sup>50</sup> Enquiry Letter Response Part 2, pages 13-15; part 1 response of Lindab and HAS-Vent of 8 December 2023 to the CMA's second Section 109 Notice dated 1 December 2023, pages 13-15; HAS-Vent's part 1 response of 8 December 2023 to the CMA's second Section 109 Notice dated 1 December 2023, pages 3-4.

<sup>51</sup> Parties' submission to the CMA, 18 March 2024, page 10.

<sup>52</sup> Parties' submission to the CMA, 18 March 2024, pages 1 and 8-12.

<sup>53</sup> Parties' submission to the CMA, 18 March 2024, pages 1 and 8-12.

- (d) Key parameters of competition are largely set based on competition in the area local to the relevant branch, with almost all parameters (price, transport costs, service levels) for sales to installers set locally.<sup>54</sup>

#### 5.2.2.1.2 CMA's assessment

60. Both Parties operate a large network of branches from which they supply circular ducts and fittings. Lindab has 24 branches across the UK, with 12 of these being manufacturing facilities. 21 of its branches are located in England and Wales, two branches in Scotland, and one branch in Northern Ireland. HAS-Vent has 10 branches, one of which (its Wombourne branch) is a manufacturing facility, all located in England.
61. The available evidence indicates that the Parties do not compete materially with one another in Scotland or Northern Ireland.<sup>55</sup> More generally, the available evidence indicates that other suppliers located in England and Wales also do not make significant sales of circular ducts and fittings into either Northern Ireland or Scotland.<sup>56</sup> The CMA therefore considers that it is appropriate to exclude Northern Ireland and Scotland from the geographic market definition.
62. With respect to England and Wales, the CMA has further considered whether the Parties (and their competitors) compete across England and Wales, by mainly setting their competitive offering at a national level across all their branches, or at the local/regional level, by mainly flexing aspects of their offering at the branch level on the basis of specific competitive conditions within each local area.<sup>57</sup> The CMA has had regard to the following evidence:
- (a) Price is a primary parameter of competition in the supply of circular ducts and fittings.<sup>58</sup> This is supported by the Parties' submissions and internal documents.<sup>59</sup> All customers who responded to the CMA's investigation confirmed that price is a very important or important factor when choosing a

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<sup>54</sup> Parties' submission to the CMA, 18 March 2024, pages 1 and 8-12.

<sup>55</sup> While HAS-Vent has worked with a third-party distributor in Northern Ireland to supply ventilation system components, HAS-Vent did not make any deliveries of circular ducts to Northern Ireland in 2023 (see HAS-Vent's part 1 response of 23 January 2024 to the CMA's fourth Section 109 Notice of 18 January 2024, page 2 and HAS-Vent Internal Document, Annex 133, '[<]', 18 January 2024). HAS-Vent has also made [<] sales of circular ducts and fittings to customers located in Scotland (totalling £[<] in 2023) (see Parties' Issues Meeting presentation, slide 16). In addition, the CMA only found [<].

<sup>56</sup> For example, one third-party ([<]), indicated that they have minimal sales in Scotland that 'it would be hard to effectively compete to supply circular ducts and fittings to customers located in Scotland'.

<sup>57</sup> [CMA129](#), paragraphs 4.27- 4.31. The CMA will typically only carry out an assessment at both the local and the aggregate national level where important aspects of competition take place at each level.

<sup>58</sup> Enquiry Letter Response Part 2, pages 13-15; part 1 response of Lindab and HAS-Vent of 8 December 2023 to the CMA's second Section 109 Notice dated 1 December 2023, pages 13-15; HAS-Vent's part 1 response of 8 December 2023 to the CMA's second Section 109 Notice dated 1 December 2023, pages 3-4.

<sup>59</sup> See, for example, HAS-Vent Internal Document, Annex 83, '[<]', 9 March 2022, page 1; HAS-Vent Internal Document, Annex 87, '[<]', 9 December 2021, page 1; HAS-Vent Internal Document, Annex 101, '[<]', 13 September 2022, page 1; HAS-Vent Internal Document, Annex 106, '[<]', 13 September 2022, page 1 and HAS-Vent Internal Document, Annex 118, '[<]', 10 May 2023, page 1.

supplier of circular ducts and fittings.<sup>60</sup> Other factors that all customers identified as very important or important are quality of ducts and fittings and delivery with short lead times. Most customers considered having a local branch a very important or important factor, although some indicated that this was not very important or not important at all.<sup>61</sup>

- (b) Both Parties set prices based on national price lists.<sup>62</sup> While discounts from the price lists are individually negotiated with customers at the branch level, they are subject to [redacted] set centrally. In particular, Lindab UK has a national price list [redacted].<sup>63</sup> HAS-Vent has a national price list and [redacted].
- (c) While [redacted],<sup>64</sup> the Parties indicated that the size of discounts vary based on a range of factors, including the size of the order, customer growth and buying patterns, customers' ability to negotiate, as well as local competition.<sup>65</sup> Furthermore, the CMA has not seen evidence indicating that the variation in the size of discounts is primarily driven by local competition.
- (d) The CMA understands that the Parties' products, quality and service levels generally do not vary significantly between their respective branches. Lindab submitted that all of its branches offer the same products and services, and that while 'service levels might be slightly different by branch, depending on how well-run the branch is, [sic] there is no intention to offer lower, or superior, services in any branch location.'<sup>66</sup> Similarly, the CMA understands that HAS-Vent's branches offer the same products and services, and HAS-Vent also submitted that 'there is no policy to vary quality, service or delivery times, either locally or regionally'.
- (e) The geographic area served by each manufacturing facility (and branch) varies across suppliers on the basis of factors including the number and location of suppliers' other branches. The Parties supply from their branches across England and Wales: as noted above, Lindab supplies from 10 manufacturing sites (and 21 branches) and HAS-Vent operates a single manufacturing facility, its Wombourne branch, from which it supplies England

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<sup>60</sup> Third-party responses to the CMA's customer questionnaire, question 3.

<sup>61</sup> Third-party responses to the CMA's customer questionnaire, question 3.

<sup>62</sup> Enquiry Letter Response Part 2, pages 13-15; part 1 response of Lindab and HAS-Vent of 8 December 2023 to the CMA's second Section 109 Notice dated 1 December 2023, pages 13-15; HAS-Vent's part 1 response of 8 December 2023 to the CMA's second Section 109 Notice dated 1 December 2023, pages 3-4.

<sup>63</sup> Lindab also has [redacted]. Further, Lindab submitted that Ductmann still largely operates independently from Lindab UK since it was acquired in 2019, [redacted].

<sup>64</sup> For example, across a sample of Lindab's sites [redacted] (Lindab Internal Document, Annex 154, '[redacted]', 30 January 2024).

<sup>65</sup> Enquiry Letter Response Part 2, pages 13-15. The CMA notes that [redacted] (Lindab Internal Document, Annex 154, '[redacted]', 30 January 2024). However, the CMA notes that it has not seen evidence indicating that this variation is driven by differences in local competitive conditions, rather such variation is consistent with prices varying in relation to the factors listed at paragraph 62(c).

<sup>66</sup> Part 1 response of Lindab and HAS-Vent of 8 December 2023 to the CMA's second Section 109 Notice dated 1 December 2023, page 14; HAS-Vent's part 1 response of 8 December 2023 to the CMA's second Section 109 Notice dated 1 December 2023, page 4.

and Wales (alongside nine distribution branches).<sup>67</sup> There is a spectrum of geographic areas that rival suppliers of circular ducts and fitting cover. For example:

- (i) Two rival manufacturers, one with more than one branch and another with one indicated to the CMA that they have a regional focus.<sup>68</sup>
  - (ii) As noted above, HAS-Vent operates a single manufacturing facility, its Wombourne branch (alongside nine distribution branches), from which it supplies nationwide.
  - (iii) Four rival manufacturers of circular ducts and fittings with one branch told the CMA that they each supply nationwide.<sup>69</sup>
- (f) HAS-Vent produces branch reports that monitor local competitors and sources of local demand, but they do so without necessarily referring to a specific 'local' geographic area. Indeed, the CMA notes that the local area can be relatively broad as, for example, HAS-Vent [X]’s branch report of [X] discusses competition with [X] which is located more than 80 miles away (and is not located within the average 80% drivetime catchment areas submitted by the Parties).<sup>70</sup>
- (g) The CMA has not seen evidence to support the Parties’ submission, set out in paragraph 59 above, that the geographic areas that suppliers can serve are different between sales to distributors and installers. To the contrary, several installers said that the location of suppliers is not a key factor when purchasing circular ducts and fittings.<sup>71</sup>

63. On the basis of the evidence set out above, the CMA considers that the Parties mainly compete in the supply of circular ducts and fittings by improving their offering (in terms of price, range, quality and service) at a national level across all their branches in England and Wales. While end-use customers (installers/contractors) may shop locally through suppliers’ local branches, the Parties supply through their large network of branches across England and Wales. In addition, even though branches have [X] discretion to set discounts at a local level, these are subject to centrally set parameters. Furthermore, the variation in discounts across branches appears to be driven by a range of factors, including differences in the local customer base (eg, size of the order, customer growth and buying patterns), and is not determined solely by local competitive conditions.

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<sup>67</sup> The Parties indicated that the geographic catchment of the Wombourne branch from which it derives 80% of its revenue is 186 miles, which notably encompasses the majority of England and Wales.

<sup>68</sup> Third-party responses to the CMA’s competitor questionnaire, question 8.

<sup>69</sup> Third-party responses to the CMA’s competitor questionnaire, question 8.

<sup>70</sup> HAS-Vent internal document, Annex 121, '[X]', 9 March 2022, page 1.

<sup>71</sup> Note of a call with a third-party, 7 December 2023; Third-party responses to the CMA’s customer questionnaire, question 2.

64. The CMA therefore considers that, while there are both local and national aspects to the supply of circular ducts and fittings, the appropriate geographic market for its assessment of the supply of circular ducts and fittings is England and Wales. The CMA will conduct its competitive assessment at the aggregate level, reflecting the aggregate effect of the loss of competitive constraints on the Parties across all those different local areas. The CMA will take into account in its competitive assessment the different strength of each competitor across different regions in England and Wales, where appropriate.<sup>72</sup>

#### 5.2.2.2 *The distribution of flat oval ducts and fittings and the manufacture of flat oval ducts and fittings*

##### 5.2.2.2.1 *Parties' submissions*

65. The Parties submitted that the geographic market for the sale of flat oval ducts and fittings is likely to be Great Britain or England and Wales.<sup>73</sup>

##### 5.2.2.2.2 *CMA's assessment*

66. The CMA understands that the same factors pointing to the geographic market for the supply of circular ducts and fittings being England and Wales also apply to the markets for the manufacture and the distribution of flat oval ducts and fittings.<sup>74</sup>

67. The CMA therefore considers that the appropriate geographic market for (i) the manufacture of flat oval ducts and fittings, and (ii) the distribution of flat oval ducts and fittings, is England and Wales. The CMA will take into account in its competitive assessment the different strength of each competitor across different regions within England and Wales, where appropriate.

### 5.2.3 **Conclusions on market definition**

68. For the reasons set out above, the CMA has considered the impact of the Merger in the following markets:

- (a) the supply of circular ducts and fittings in England and Wales;
- (b) the distribution of flat oval ducts and fittings in England and Wales; and

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<sup>72</sup> [CMA129](#), paragraph 4.28.

<sup>73</sup> Parties' submission to the CMA, 18 March 2024, page 21.

<sup>74</sup> The Parties submitted that there is a distinction between flat oval ducts and fittings and circular ducts and fittings, in that prices for flat oval ducts and fittings are not set based on national price lists, as they are bespoke products quoted on a job-by-job basis (Parties' annotated response to the Issues Letter, 8 April 2024, page 20). However, the CMA understands that the margins or target margins on flat oval ducts and fittings are still generally set centrally in the case of both Parties.

- (c) the manufacture of flat oval ducts and fittings in England and Wales (for the purposes of assessing the vertical relationship between HAS-Vent's activities at this level with the Parties' activities in the distribution of such products).

### **5.3 Theories of harm**

69. The CMA assesses the potential competitive effects of mergers by reference to theories of harm. Theories of harm provide a framework for assessing the effects of a merger and whether or not it could lead to an SLC relative to the counterfactual.<sup>75</sup>

70. In its investigation of this Merger, the CMA has considered the following theories of harm:

- (a) Horizontal unilateral effects in the supply of circular ducts and fittings in England and Wales;
- (b) Horizontal unilateral effects in the distribution of flat oval ducts and fittings in England and Wales;
- (c) Customer foreclosure in flat oval ducts and fittings in England and Wales.

71. Each of these theories of harm is considered below.

### **5.4 Horizontal unilateral effects in the supply of circular ducts and fittings in England and Wales**

72. Horizontal unilateral effects may arise when one firm merges with a competitor that previously provided a competitive constraint, allowing the merged entity profitably to raise prices or to degrade quality on its own and without needing to coordinate with its rivals.<sup>76</sup> Horizontal unilateral effects are more likely when the parties to a merger are close competitors.<sup>77</sup>

73. The CMA has assessed whether it is or may be the case that the Merger has resulted, or may be expected to result, in an SLC as a result of horizontal unilateral effects in the supply of circular ducts and fittings. The CMA considered evidence from (i) the Parties' submissions; (ii) shares of supply; (iii) internal documents; and (iv) third-party evidence.

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<sup>75</sup> [CMA129](#), paragraph 2.11.

<sup>76</sup> [CMA129](#), paragraph 4.1.

<sup>77</sup> [CMA129](#), paragraph 4.8.

### 5.4.1 Parties' submissions

74. The Parties submitted that there is no realistic prospect that the Merger may lead to an SLC on the basis that:<sup>78</sup>
- (a) There are a large number of rival manufacturers of circular ducts and fittings in England and Wales. The Parties identified a total of 15 rival manufacturers, including Mechanical Air Supplies, J A Glover, Ventilation Environmental Supplies PLC, Independent Ductwork, Mercury H.V.C.A. Distribution, South Yorkshire Ducting, CVK Ductwork Services, Wells Spiral Tubes, Vent Direct Ltd, Duct & Vent, Allduct Equipment Supplies Ltd, iDuct, Mersey Vent, West Engineering, and A&M Ventilation.<sup>79</sup> According to the Parties, these rivals are able to compete effectively to supply circular ducts and fittings to end-use customers such as installers and contractors, including for large-scale projects, and can impose effective constraints on the Merged Entity in the supply of circular ducts and fittings.<sup>80</sup>
  - (b) There are other distributors of circular ducts and fittings that are able to impose effective constraints on the Merged Entity, including for large-scale orders placed by installers, including Storm Ventilation and SK Sales.<sup>81</sup>
  - (c) For large orders, the pool of competitors is typically large, including both manufacturers and distributors, as large projects do not require all ducts and fittings to be delivered at once but in stages as required, and orders can be split and purchased from multiple manufacturers or distributors.<sup>82</sup> In support of this Lindab provided details of a sample of large projects it supplied in 2023 in which orders for the project were staggered over time.<sup>83</sup> Furthermore, according to the Parties, large order purchasers (installers) have strong bargaining power and can switch to alternative suppliers easily and instantaneously.<sup>84</sup>

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<sup>78</sup> The Parties also submitted that many end-use customers such as installers and contractors can self-supply rectangular ducts and fittings (Parties' submission to the CMA, 18 March 2024, pages 7, 16, and 33). According to the Parties, they can replace the use of circular ducts and fittings with rectangular ducts and fittings on a given project since they are substitutable with each other. The CMA has not placed weight on this submission given the limited evidence on the demand-side substitutability of these products (see further paragraphs 49-50).

<sup>79</sup> Other submissions from the Parties identified further additional manufacturers, with up to 38 rival manufacturers being identified by the Parties in submissions to the CMA. See for example; Parties' submission to the CMA, 18 March 2024, Annex 1.

<sup>80</sup> Enquiry Letter Response Part 2, pages 1-2; Parties' submission to the CMA, 18 March 2024, pages 13-15.

<sup>81</sup> Enquiry Letter Response Part 2, pages 1-2; Parties' submission to the CMA, 18 March 2024, pages 26-27.

<sup>82</sup> Parties' submission to the CMA, 18 March 2024, pages 15-16, 33.

<sup>83</sup> Parties' annotated response to the Issues Letter, 8 April 2024, pages 23, 31 – 32; Lindab Internal Document, '24-04-07-Lindab-Large projects multiple orders and delivery dates'.

<sup>84</sup> Parties' submission to the CMA, 18 March 2024, pages 16, 33.

- (d) Barriers to entry and expansion in the manufacture of circular ducts and fittings are low. Recent examples of entry in this market include Allduct Equipment Supplies and iDuct.<sup>85</sup>

## 5.4.2 CMA's assessment

### 5.4.2.1 Shares of supply

75. Shares of supply can be useful evidence when assessing closeness of competition, particularly when there is persuasive evidence as to which potential substitutes should be included or excluded or when the degree of differentiation between firms is more limited. In such circumstances, a firm with a higher share of supply is more likely to be a close competitor to its rivals.<sup>86</sup>
76. Table 1 below presents share of supply estimates for circular ducts and fittings in 2023. These shares are based on revenue data submitted by the Parties and third parties. For third parties for which the CMA was unable to directly gather data, the CMA has relied on estimates provided by the Parties.<sup>87</sup>

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<sup>85</sup> Parties' submission to the CMA, 18 March 2024, page 16.

<sup>86</sup> [CMA129](#), paragraph 4.14.

<sup>87</sup> The Parties provided revenue share of supply estimates for circular ducts and fittings in the UK as a whole. The Parties estimated Lindab and HAS-Vent to have shares of [20-30]% and [10-20]% respectively in 2022/23, with the Merged Entity having a combined share of [40-50]%. The Parties identified 11 named competitors, two with shares between 5-10% ([><]) and nine with shares between 1-5%, while unnamed 'other manufacturers' were given a [20-30]% share. However, the Parties submitted that these estimates were not reliable because they were based on public sources of information for competitors which in some cases were incomplete. In particular, the Parties explained that they had to rely on information from Companies House filings, and in some cases the filings did not include revenue figures split by product type, meaning that the Parties had to make further assumptions to estimate rivals' sales of circular ducts and fittings. See Enquiry Letter Response Part 2, page 1; Lindab's response dated 21 February 2024 to the CMA's sixth Section 109 Notice dated 19 February 2024, page 2.



**Table 1: Shares of supply for circular ducts and fittings in England and Wales<sup>88</sup> (2023)**

| <b>Manufacturer</b>                | <b>Revenue (£m)</b> | <b>Share</b>    |
|------------------------------------|---------------------|-----------------|
| Lindab                             | [X] <sup>89</sup>   | [30-40]%        |
| HAS-Vent                           | [X] <sup>90</sup>   | [10-20]%        |
| <b>Merged Entity</b>               | [X]                 | <b>[40-50]%</b> |
| Mercury                            | [X]                 | [10-20]%        |
| Ventilation Environmental Supplies | [X]                 | [5-10]%         |
| JA Glover                          | [X]                 | [5-10]%         |
| Mechanical Air Supplies            | [X]                 | [5-10]%         |
| Independent Ductwork               | [X]                 | [0-5]%          |
| CVK Ductwork Services              | [X]                 | [0-5]%          |
| Wells Spiral Tubes                 | [X]                 | [0-5]%          |
| Spiral Ductwork Services           | [X]                 | [0-5]%          |
| Duct Products                      | [X]                 | [0-5]%          |
| South Yorkshire Ducting            | [X]                 | [0-5]%          |
| Ventilation Centre                 | [X]                 | [0-5]%          |
| Air Trace Sheet Metal              | [X]                 | [0-5]%          |
| Vent Direct                        | [X]                 | [0-5]%          |
| <b>Total</b>                       | [X]                 | <b>100%</b>     |

Source: CMA's own estimates based on Parties' and competitors' sales data by revenue; Parties' email to the CMA of 11 April 2024; Parties response to s109 Notice (1) and competitor questionnaire responses.<sup>91</sup>

Note: Revenue figures include sales of fabricated and pressed circular fittings (see further paragraph 54). Suppliers with the same ranged share of supply have been listed in alphabetical order.

77. The share of supply estimates show that Lindab and HAS-Vent are the first and second largest suppliers of circular ducts and fittings in England and Wales respectively, with Lindab having a share of [30-40]% and HAS-Vent a [10-20]% share. Combined, the Merged Entity's share is [40-50]%, which further consolidates Lindab's position as the market leader.

78. Post-Merger, there is only one competitor (Mercury) with a share exceeding 10%, but this competitor is significantly smaller than the Merged Entity. Only three other competitors have shares of more than 5%, although less than 10% (JA Glover, Mechanical Air Supplies, and Ventilation Environmental Supplies), while the shares of all remaining competitors are below 5%.

<sup>88</sup> Revenue for third parties is for the UK, so shares may be overstated. However, the CMA believes the majority of these third parties do not serve Scotland and Northern Ireland.

<sup>89</sup> Parties email to the CMA dated 11 April 2024. Revenue from Lindab and Ductmann, excluding Direct Vent sales except as sold by Ductmann.

<sup>90</sup> Parties email to the CMA dated 11 April 2024.

<sup>91</sup> The Parties provided an alternative revenue figure of £[X] for HAS-Vent's manufacture of circular ducts and *fabricated* fittings in England and Wales for 2023. As noted at paragraph 54 above, the CMA has included both pressed and fabricated fittings as part of the relevant product market definition and therefore has not used this alternative revenue figure for the purposes of these shares of supply; Parties' submission to the CMA, 18 March 2024, page 12, table 3.2.1.

79. The Parties submitted that the CMA's share of supply estimates overstate the Merged Entity's share:
- (a) The Parties submitted that the shares incorrectly include the Parties' sales of imported pressed and fabricated fittings. While the Parties sell such fittings alongside their circular ducts, the Parties submitted that this is not necessarily the case for other manufacturers, particularly those manufacturers that rely more heavily on third-party distributors, who instead are responsible for selling such fittings. However, the evidence shows that most rival manufacturers also sell pressed or fabricated fittings alongside their ducts (and for this reason the CMA has included them as part of the relevant product market definition, as discussed at paragraph 54). In any event, even if the sales of the two largest distributors (SK Sales and Storm Ventilation) are included in the share of supply estimates, or alternatively the sales of imported pressed and fabricated fittings are excluded from the Parties' shares, the share of supply estimates do not change significantly.<sup>92</sup> In particular, the Merged Entity continues to be the market leader by a considerable margin with a high share of supply, and all competing suppliers are significantly smaller than the Merged Entity.
  - (b) The Parties also submitted a number of manufacturers have been incorrectly excluded from the shares of supply (namely Mersey Vent, iDuct, West Engineering, Duct & Vent, A&M Ventilation, and Allduct Equipment Supplies).<sup>93</sup> However, the evidence received by the CMA as part of its investigation does not indicate that any of these competitors provide a significant competitive constraint on the Parties, in particular noting the limited degree to which any of these competitors have been identified in the Parties' internal documents or by third parties.
80. In addition to having the largest share of supply, the Merged Entity also has the largest number of branches, bringing together Lindab's 21 branches with HAS-Vent's 10 branches in England and Wales. Combined, the Merged Entity's branch network is over 6 times the size of the next largest manufacturer (JA Glover with 5 branches), as well as 3 times larger than the largest distributors (SK Sales with 9 branches and Storm Ventilation with 10 branches).

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<sup>92</sup> If the sales of SK Sales and Storm Ventilation are included in the share of supply estimates (but at the same time amending the shares of the [3<] that supply these distributors to avoid double counting), the Merged Entity still has a share of [40-50]%. Alternatively, and on a highly conservative basis, if sales of imported pressed and fabricated fittings are excluded from the shares of supply for the Parties but remain included for competitors (as the CMA does not have the data available to adjust third-party sales), the Merged Entity still has a share of [30-40]%. In both scenarios, the Merged Entity's share is significantly larger than any other competitor.

<sup>93</sup> Parties submission to the CMA, 18 March 2024; Parties' Issues Meeting presentation, 3 April 2024.

#### 5.4.2.2 *Internal documents*

81. The CMA has considered the extent to which the Parties view each other as close competitors and face competition from alternative suppliers based on their internal documents. The CMA has found that the Parties' internal documents indicate, consistent with the shares of supply discussed above, that the Parties are leading players, compete closely, and face limited alternative constraints in the supply of circular ducts and fittings.
82. The Parties submitted that the internal documents assessed by the CMA relate to the Parties' position in the distribution of ventilation system components rather than their position specifically as manufacturers of circular ducts and fittings.<sup>94</sup> The CMA notes however that the Parties' internal documents generally do not distinguish between their manufacturing and distribution activities. Furthermore, while a number of the Parties' documents discuss their position in the supply of ventilation components more generally, circular ducts and fittings account for a significant proportion of the Parties' total sales of ventilation system components and strengthening Lindab's market position in the supply of circular products was one of the main rationales for the Merger (as noted at paragraph 21 above).<sup>95</sup>

##### 5.4.2.2.1 *Market position*

83. Several Lindab internal documents produced in anticipation of the Merger indicate that Lindab holds a strong position in the supply of circular ducts and fittings and that the Parties are leading suppliers. In particular:
- (a) One internal document dated July 2023 notes that 'Lindab has a strong position in the UK' and emphasises its large branch network and the quality of its products, including its ductwork.<sup>96</sup>
  - (b) One internal document dated May 2023 concerning the rationale for the Merger states that HAS-Vent is the '[redacted]'.<sup>97</sup>
  - (c) Similarly, another internal document dated May 2023 notes that HAS-Vent is '[redacted]'.<sup>98</sup>

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<sup>94</sup> Parties' annotated response to the Issues Letter, 8 April 2024, page 27.

<sup>95</sup> In particular, circular ducts and fittings accounted for [redacted]% of the Parties total sales of ventilation systems components in 2023 (Lindab's response dated 21 February 2024 to the CMA's sixth Section 109 Notice dated 19 February 2024, Annex 166; HAS-Vent's response dated 21 February 2024 to the CMA's sixth Section 109 Notice dated 19 February 2024, Annex 144).

<sup>96</sup> Lindab Internal Document, Annex 119, 'Lindab – s109(1b) – Q23&25 – Harry Styles – Bid letter\_3 July 2023\_4141-4213-0253.pdf', July 2023, page 3.

<sup>97</sup> Lindab Internal Document, Annex 26, '[redacted]', May 2023.

<sup>98</sup> Lindab Internal Document, Annex 31, '[redacted]', May 2023.

#### 5.4.2.2.2 *Closeness of competition between the Parties*

84. The CMA considers that the Parties' internal documents show that the Parties are close competitors in the supply of circular ducts and fittings.
85. In particular, one Lindab internal document prepared by [X] for a decision from the Board of Directors to approve the Merger from September 2023 states that the Merger would '[X]' and '[X]'.<sup>99</sup> The same document also makes several references to the fact that the Parties have significant product and geographic overlaps. For example, the document notes that:
- (a) 'HAS-Vent is a direct competitor to Lindab UK with a very similar offering [including] own production';<sup>100</sup>
  - (b) The Parties have 'significant overlap in terms of branch location' and that they have 'similar quality positioning in the market serving the same type, and in some cases identical customers.'<sup>101</sup>
86. Another Lindab document discussing product strategy plans [X].<sup>102</sup>
87. HAS-Vent produces quarterly branch reports that identify and monitor competitors at the branch level. Consistent with the CMA's share of supply estimates, these reports closely and frequently monitor Lindab, indicating that Lindab is an important competitor to HAS-Vent across its branch network. In particular, Lindab is identified as a competitor in the majority of the reports reviewed by the CMA and in more than twice as many reports compared to any other competitor.<sup>103</sup> While the frequency and prominence in which Lindab is monitored varies between branches, across the majority of branches, Lindab is frequently identified as a competitor and competition on price and/or customer switching is discussed.<sup>104</sup>

#### 5.4.2.2.3 *Remaining competitive constraints*

88. The Parties' internal documents generally refer to only a limited number of other competitors. In particular:

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<sup>99</sup> Lindab Internal Document, Annex 94, '[X]', September 2023, slide 2, 3, 5, 12 and 14.

<sup>100</sup> Lindab Internal Document, Annex 94, '[X]', September 2023, slide 5 and 14.

<sup>101</sup> Lindab Internal Document, Annex 94, '[X]', September 2023, slide 15. Another Lindab internal document from June 2023 makes similar observations as the document noted above; see Lindab Internal Document, Annex 47, '[X]', June 2023.

<sup>102</sup> Lindab Internal Document, Annex 49, '[X]', column E; HAS-Vent Internal Document, Annex 113, '[X]'; HAS-Vent Internal Document, Annex 128, '[X]', June 2022.

<sup>103</sup> HAS-Vent provided [X].

<sup>104</sup> See, for example, HAS-Vent Internal Document, Annex 093, '[X]'; HAS-Vent Internal Document, Annex 108, '[X]'; HAS-Vent Internal Document, Annex 86, '[X]'; HAS-Vent Internal Document, Annex 091, '[X]'; HAS-Vent Internal Document, Annex 113, '[X]'; HAS-Vent Internal Document, Annex 099, '[X]'; and HAS-Vent Internal Document, Annex 126, '[X]', 13 September 2022. See also HAS-Vent Internal Document, Annex 125, '[X]', 8 March 2022, page 1; HAS-Vent Internal Document, Annex 85, '[X]', page 1; and HAS-Vent Internal Document, Annex 85, '[X]', page 1.

- (a) The Lindab internal document discussed at paragraph 86 above lists four other competitors (Storm Ventilation, Mechanical Air Supplies, Ventilation Environmental Supplies, and SK Sales) and other unnamed ‘independents’ as the main competitors in the ducting product group, in addition to HAS-Vent.<sup>105</sup>
- (b) HAS-Vent’s branch reports generally monitor a limited range of other competitors, including Storm Ventilation, SK Sales, JA Glover and Independent Ductwork.<sup>106</sup> While the competitors cited varies between branches, overall SK Sales and Storm Ventilation are the two competitors more frequently monitored, although significantly less frequently than Lindab. Furthermore, these two companies are distributors, which lessens the competitive constraint they exercise on the Merged Entity compared to if these companies had independent manufacturing capabilities (instead they are largely reflective of the competitive constraint of [redacted]).
- (c) A HAS-Vent internal document from December 2023 which discusses HAS-Vent’s branch reports notes that Storm Ventilation is frequently discussed including due to competitive pricing. However, no other competitor is identified in the document other than Lindab, with the document noting ‘[redacted]’.<sup>107</sup>

89. A number of competitors listed in the share of supply estimates at Table 1 above are not identified in either of the Parties’ internal documents, including CVK Ductwork Services, Duct Products, Spiral Ductwork Services, Vent Direct, Ventilation Centre and Wells Spiral Tubes. This suggests these competitors do not pose a significant competitive constraint on the Merged Entity, which is consistent with each of these competitors’ having low shares of supply (less than 5% in each case). While Mercury is also not identified as a competitor in the Parties’ internal documents, the CMA does not necessarily consider this is reflective of the competitive constraint it exerts given that [redacted].

90. Furthermore, a number of additional competitors identified in the Parties’ submissions (namely Mersey Vent, iDuct, West Engineering, Duct & Vent, A&M Ventilation, Pro- Duct, Kelvent, McCaig Collum and Allduct Equipment Supplies), are also not identified in the Parties’ internal documents, which suggests these competitors do not exercise a significant competitive constraint on the Parties.<sup>108</sup>

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<sup>105</sup> Lindab Internal Document, Annex 49, ‘[redacted]’, column E.

<sup>106</sup> HAS-Vent Internal Document, Annex 093, ‘[redacted]’, page 1; HAS-Vent Internal Document, Annex 109, ‘[redacted]’, page 1; HAS-Vent Internal Document, Annex 106, ‘[redacted]’, page 1.

<sup>107</sup> HAS-Vent Internal Document, Annex 34, ‘[redacted]’, 12 December 2023, page 1.

<sup>108</sup> Parties’ submission to the CMA, 18 March 2024; Parties’ Issues Meeting presentation, 3 April 2024.

### 5.4.2.3 *Third-party evidence*

91. As part of its investigation, the CMA received input from a number of the Parties' customers and competitors in the supply of circular ducts and fittings. Overall, the evidence received from third parties indicates that the Parties are close competitors and face a limited number of alternative constraints.

#### 5.4.2.3.1 *Closeness of competition between the Parties*

92. The majority of customers responding to the CMA's investigation indicated that they see the Parties as very good or good alternatives to each other for the supply of circular ducts and fittings. In particular:

- (a) The majority of Lindab's customers considered this to be the case in respect of HAS-Vent.<sup>109</sup>
- (b) The majority of HAS-Vent's customers considered this to be the case in respect of Lindab.<sup>110</sup> For example, one customer explained that Lindab and HAS-Vent are 'the only ones that provide quality products, great service and good delivery lead times'.<sup>111</sup>

93. All competitors responding to the CMA's investigation indicated that Lindab is a very strong or strong competitor, while half of competitors noted that HAS-Vent is a very strong or strong competitor.<sup>112</sup>

94. Further, a number of third parties indicated that the Parties may be particularly close competitors in relation to large projects.<sup>113</sup> For example, one customer told the CMA that it mainly uses Lindab and HAS-Vent for the supply of circular ducts and fittings because they have the ability to supply in high volumes in a relatively short timeframe, which the customer requires to deliver large-scale projects.<sup>114</sup>

95. As set out in paragraph 39 above the Parties offer a large portfolio of ventilation components, which the Merger would further expand. Evidence from customers indicates that this could lead to a competitive advantage in the supply of circular ducts and fittings. Almost all customers who responded to the CMA's investigation indicated that suppliers' ability to offer a wide range of ventilation components is a

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<sup>109</sup> Third-party responses to the CMA's customer questionnaire, question 4. Out of a score of 5, where 1 is a 'very poor' alternative and 5 is 'very good' alternative, a majority of Lindab customers gave HAS-Vent a score of 4 or 5.

<sup>110</sup> Third-party responses to the CMA's customer questionnaire, question 4. Out of a score of 5, where 1 is a 'very poor' alternative and 5 is 'very good' alternative, a majority of HAS-Vent customers gave Lindab a score of 4 or 5.

<sup>111</sup> Third-party response to the CMA's customer questionnaire, question 4.

<sup>112</sup> Third-party responses to the CMA's competitor questionnaire, questions 5 and 6. Competitors were asked to rate the rivals that they compete with out of 5, with 5 being 'very strongly' and 1 'very weakly'. Almost all competitors gave Lindab a score of 4 or 5, while half of competitors gave HAS-Vent a score of 4 or 5.

<sup>113</sup> Note of a call with a third-party, paragraphs 3 and 16. Note of call with a third-party, 12 February 2024, paragraph 19. Note of call with a third-party, 3 January 2024 and 8 February 2024, paragraph 13.

<sup>114</sup> Note of a call with a third-party, paragraphs 3 and 16.

very important or important factor when choosing a supplier of circular ducts and fittings.<sup>115</sup> One customer also submitted that Lindab sells 'unique products'.<sup>116</sup>

#### 5.4.2.3.2 *Remaining competitive constraints*

96. Evidence received from third-party customers and competitors generally indicates that competitors exercise a more limited constraint on either of the Parties.
97. Only a minority of the Parties' customers that responded to the CMA's market investigation listed competitors as good or very good alternatives to either of the Parties.<sup>117</sup> In particular, across all of the Lindab and HAS-Vent customers responding to the CMA's market investigation:
- (a) Fewer than a third of responding Lindab customers and only a quarter of responding HAS-Vent customers considered this to be the case for JA Glover.
  - (b) Only two Lindab customers and one HAS-Vent customer considered this to be the case for Ventilation Environmental Supplies.
  - (c) Only two Lindab customers and two HAS-Vent customers considered this to be the case for Independent Ductwork.
  - (d) Only one Lindab customer and one HAS-Vent customer considered this to be the case for Mechanical Air Supplies.
  - (e) Wells Spiral Tubes and West Engineering were each only identified by a single customer.
98. Only a minority of customers identified some distributors as a good or very good alternative to one of the Parties:<sup>118</sup>
- (a) One Lindab customer and one HAS-Vent customer considered this to be the case for SK Sales.
  - (b) One Lindab customer considered this to be the case for Storm Ventilation.
99. As discussed at paragraph 80, competitors have substantially smaller branch networks than the Merged Entity post-Merger. The CMA additionally asked competitors to indicate the areas they serve directly through their own branches or third-party distributors. While a number of competitors indicated that they are able

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<sup>115</sup> Third-party responses to the CMA's customer questionnaire, question 3.

<sup>116</sup> Third-party response to the CMA's customer questionnaire, question 4.

<sup>117</sup> Third-party responses to the CMA's customer questionnaire, question 4. Customers of the Parties were asked to rate the alternatives to either of the parties out of a score of 5 where 1 is a 'very poor' alternative and 5 is 'very good' alternative.

<sup>118</sup> Third-party responses to the CMA's customer questionnaire.

to serve customers nationwide, others indicated that they have a more regional focus than either of the Parties and have limited ability to expand into other regions of the UK. For example:

- (a) One competitor told the CMA that it has a regional focus in [X] and would not expand to other regions if prices were to increase by 5% because prices are uneconomically low.<sup>119</sup>
- (b) Another competitor told the CMA that from its [X] branches it mainly supplies customers in the South-East of England and in the London area. They said they would not expand outside the area they currently serve in the event of a 5% price increase.<sup>120</sup>

100. The Parties submitted that there are limitations in the evidence submitted by third parties to the CMA. According to the Parties, responses from installers about alternative suppliers to the Parties may not be representative, as installers may not be aware of manufacturers outside their own regional area of operation.<sup>121</sup> Contrary to the Parties' submission, the CMA considers that the geographic coverage of alternative suppliers is directly relevant to its assessment of whether the Parties would face sufficient remaining competitive constraints at the national level post-Merger.

101. The CMA received mixed evidence on whether competitors are particularly disadvantaged in their ability to supply large projects in competition with the Parties. On the one hand, several smaller and/or single branch competitors submitted that they can supply large projects.<sup>122</sup> On the other hand, one customer indicated that suppliers are not capable of delivering for large projects,<sup>123</sup> and a number of competitors indicated that distributors are less able to compete for large projects compared to manufacturers because they add a layer to the supply chain, staff are less well trained, and they cannot price as competitively.<sup>124</sup> The CMA does not however consider it necessary to conclude on whether there are fewer competitive constraints for large projects given that the evidence summarised

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<sup>119</sup> Third-party response to the CMA's customer questionnaire, questions 8 and 9.

<sup>120</sup> Third-party response to the CMA's customer questionnaire, question 9.

<sup>121</sup> Parties' annotated response to the Issues Letter, 8 April 2024, page 33.

<sup>122</sup> Third-party responses to the CMA's competitor questionnaire, question 7.

<sup>123</sup> Note of a call with a third-party, paragraphs 3 and 16.

<sup>124</sup> As to the Parties' submission that a large pool of manufacturers and distributors can compete for large projects as large projects do not require all ducts and fittings to be delivered at once but in stages which can be split between multiple suppliers, the CMA has not seen evidence indicating that this occurs in practice; instead, where orders are split they appear to be typically served by the same supplier. As to the Parties' submission that large order purchasers have strong bargaining power and can switch to alternatives easily, the CMA notes that most forms of buyer power that do not result in new entry – for example, buyer power based on customer's size, sophistication, or ability to switch easily – are unlikely to prevent an SLC that would otherwise arise from the elimination of competition between the merger firms. This is because a customer's buyer power depends on the availability of good alternatives they can switch to, which in the context of an SLC will have been reduced (CMA129, paragraph 4.20). The CMA has not received evidence from either the Parties or third parties that customers would in practice use their buyer power to support new entry.



above indicates that competitors generally exercise a limited constraint on either of the Parties, irrespective of the size of the project at hand.

102. Evidence from competitors responding to the CMA's investigation indicates that rival suppliers of circular ducts and fittings generally have spare capacity, although the CMA has not received evidence that this is at sufficient scale to offset the loss of constraint brought about by the Merger.<sup>125</sup> Furthermore, the CMA understands that competitors' ability to expand and purchase additional machines may be impacted due to Lindab's ownership of the circular duct machinery manufacturer, Spiro. Almost all competitors indicated that they purchase the machinery to manufacture ducts and fittings from Spiro.<sup>126</sup> Several of these competitors said that there was no alternative to Spiro for the purchase of the relevant machinery, one noted that Artizono was a weak alternative, while only one competitor said that there are strong alternatives to Spiro, namely Budget Machines and Tormec.<sup>127</sup> In addition, some competitors expressed concerns regarding Lindab's ownership of Spiro. In particular, one competitor indicated that Spiro has '[<]'.<sup>128</sup> Another competitor indicated that because of Lindab's ownership of Spiro, 'which is the number one brand for any spiral machinery' the 'whole industry will be owned by Lindab and they have complete control of any competitors whether that being in manufacture or distribution'.<sup>129</sup>

#### 5.4.2.3.3 Views on the Merger

103. While the majority of customers responding to the CMA's market investigation did not raise concerns, a number of customers did express concerns about the impact of the Merger on competition.<sup>130</sup> One customer said that 'when the two biggest suppliers merge this will impact on the competition between these companies and will only be negative for the industry'.<sup>131</sup>
104. Almost all competitors responding to the CMA's market investigation expressed concerns about the Merger.<sup>132</sup>

#### 5.4.3 Conclusion

105. In view of the above, the CMA considers that the Merger gives rise to a realistic prospect of an SLC as a result of horizontal unilateral effects in the supply of

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<sup>125</sup> Third-party responses to the CMA's competitor questionnaire, question 11. See also Note of call with a third-party, 12 February 2024, paragraphs 20 and 22.

<sup>126</sup> Third-party responses to the CMA's competitor questionnaire. All manufacturers with the exception of one.

<sup>127</sup> Third-party responses to the CMA's competitor questionnaire.

<sup>128</sup> Notes of calls with a third-party, 3 January 2024 and 8 February 2024, paragraph 18.

<sup>129</sup> Third-party response to the CMA's competitor questionnaire.

<sup>130</sup> Third-party responses to the CMA's customer questionnaire, question 13.

<sup>131</sup> Third-party response to the CMA's customer questionnaire.

<sup>132</sup> Third-party responses to the CMA's competitor questionnaire, question 22.

circular ducts and fittings in England and Wales. In particular, the evidence indicates that:

- (a) The Merger involves the combination of the market leader and second largest supplier of circular ducts and fittings in England and Wales. Together, the Merged Entity supplies [40-50]% of the market and is the largest supplier by a significant margin.
- (b) Internal documents and third-party evidence indicate that the Parties are close competitors, and that the Merger would eliminate a strong competitor.
- (c) As noted at paragraph 79(b) above, the Parties submitted a long list of competing suppliers, but, while these small competitors may exert some constraint on the Parties in some local areas, the CMA has not seen any evidence that these competitors exert a material constraint at the national level.
- (d) The Merged Entity will continue to face some competitive constraints from rival suppliers. However, these constraints are unlikely to be sufficient to prevent a substantial lessening of competition. Rivals are all considerably smaller than the Merged Entity, have a much smaller branch network and some have a regional focus with limited ability to expand in other regions. Distributors without independent manufacturing capabilities would be able to provide only a limited constraint on the Merged Entity.
- (e) Some customers and nearly all competitors expressed concerns about the impact of the Merger on competition.

106. As regards the Parties' submissions on barriers to entry and expansion in the supply of circular ducts and fittings being low, the CMA has assessed those submissions at Section 6 below. As explained in further detail in that section, the CMA does not consider entry and expansion to be timely, likely and sufficient to prevent the SLC arising from the Merger.

## **5.5 Horizontal unilateral effects in the distribution of flat oval ducts and fittings in England and Wales**

107. The CMA has assessed whether it is or may be the case that the Merger has resulted, or may be expected to result, in an SLC as a result of horizontal unilateral effects in the distribution of flat oval ducts and fittings in England and Wales. The CMA has considered evidence from (i) the Parties' submissions; (ii) shares of supply; and (iii) third-party evidence.

### 5.5.1 Parties' submissions

108. The Parties submitted that there is no realistic prospect that the Merger may lead to an SLC on the basis that:
- (a) The Parties are not close competitors in the distribution of flat oval ducts and fittings, since Lindab does not manufacture flat oval ducts and fittings and only distributes a small volume of flat oval ducts and fittings, representing a very small proportion of its total turnover.<sup>133</sup>
  - (b) There are other manufacturers of flat oval ducts and fittings, including Wells Spiral Tubes, A&M Ventilation, Independent Ductwork and Air Trace Sheet Metal.<sup>134</sup>
  - (c) While the Parties are not in a position to estimate the total market size of the market for the sale/resale of oval ductwork, they submitted that their activities in relation to flat oval products are *de minimis* and therefore incapable of resulting in a realistic prospect of an SLC.<sup>135</sup>
  - (d) Flat oval products are not an essential product sold as part of the portfolio of products offered by ventilation distributors.<sup>136</sup> Low demand for flat oval products is due to substitutability with rectangular ducts.<sup>137</sup>
  - (e) Were the Merged Entity to raise prices or withhold supplies, installers would simply use another manufacturer or an alternative duct type.<sup>138</sup>

### 5.5.2 CMA's assessment

#### 5.5.2.1 Shares of supply

109. As noted above, the Parties submitted they are not in a position to estimate the total market size for the distribution of flat oval ducts and fittings, and as such did not provide share of supply estimates.

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<sup>133</sup> Lindab Internal Document, Annex 166, '[><]', 19 February 2024, tab 1.

<sup>134</sup> HAS-Vent's part 2 response of 13 December 2023 to the CMA's request for information of 1 December 2023, page 4; Parties' submission to the CMA, 18 March, pages 21-22.

<sup>135</sup> Parties' submission to the CMA, 18 March, page 22. As set out below, the CMA has not found that the Merger gives rise to a realistic prospect of an SLC in relation to horizontal unilateral effects or customer foreclosure in relation to flat oval ducts and fittings. Therefore this submission is not addressed further in this decision.

<sup>136</sup> Parties' submission to the CMA, 18 March, page 21.

<sup>137</sup> Parties' annotated response to the Issues Letter, 8 April 2024, page 44; Parties' Issues Meeting presentation, slide 30.

<sup>138</sup> Parties' submission to the CMA, 18 March, page 21.

110. The CMA has created its own share of supply estimates for the distribution of flat oval ducts and fittings (to end-use customers) in 2023, based on revenue data submitted by the Parties and third parties, as set out in Table 2 below.<sup>139</sup>

**Table 2: Shares of supply in the distribution of flat oval ducts and fittings to end-use customers in England and Wales (2023)**

| Supplier                              | Revenue (£) | Share           |
|---------------------------------------|-------------|-----------------|
| Lindab                                | [><]        | [5-10]%         |
| HAS-Vent                              | [><]        | [40-50]%        |
| <b>Merged Entity</b>                  | [><]        | <b>[40-50]%</b> |
| Air Trace Sheet Metal                 | [><]        | [20-30]%        |
| Wells Spiral Tubes                    | [><]        | [10-20]%        |
| Independent Ductwork                  | [><]        | [5-10]%         |
| Storm Ventilation                     | [><]        | [0-5]%          |
| Midland Ventilation Supplies          | [><]        | [0-5]%          |
| Mechanical Air Supplies               | [><]        | [0-5]%          |
| Distributors purchasing from HAS-Vent | [><]        | [0-5]%          |
| <b>Total</b>                          | [><]        | <b>100%</b>     |

Note: Suppliers with a share range of [0-5]% have been listed in alphabetical order. The CMA notes that the Parties identified A&M Ventilation as an additional competitor, but revenue data for A&M Ventilation is not available and therefore they are not included in the shares of supply. Sales figures for [><].

Source: CMA's own estimates based on Parties and competitors' sales data by revenue.

111. The estimates show that HAS-Vent is the largest distributor with a share of [40-50]%, followed at some distance by Air Trace Sheet Metal ([20-30]%) and Wells Spiral Tubes ([10-20]%). Lindab is the fourth largest distributor with a share of [5-10]%, closely followed by Independent Ductwork ([5-10]%) and Storm Ventilation ([0-5]%), followed by other distributors with shares of less than 5%.<sup>140</sup>

112. While the Merger will further consolidate HAS-Vent's leading position, the increment brought about by the Merger is small.

113. The CMA also notes that, in contrast to Lindab, the three largest competitors (HAS-Vent, Air Trace Sheet Metal, and Wells Spiral Tubes) as well as the fifth largest competitor (Independent Ductwork) are vertically integrated in the manufacture of flat oval ducts and fittings. The CMA considers that vertically integrated suppliers are likely to represent stronger rivals than sole distributors, as

<sup>139</sup> The CMA's estimates include suppliers' revenues from the sales of flat oval ducts and fittings to end-use customers only, to avoid double counting in instances where manufacturers sell to both end customers and distributors. An exception to this is [><], which has the effect of slightly decreasing the shares of the Parties and other competitors in the table above.

<sup>140</sup> The Parties submitted that the CMA's analysis overstates the importance of Lindab (and other distributors) as they sell at an added mark-up compared to the price they buy flat oval products from manufacturers (Parties' annotated response to the Issues Letter, 8 April 2024, page 40; CMA note of the Issues Meeting, 3 April 2024, page 14). Lindab also submitted that its revenues for 2023 may overstate its market position, given Lindab's sales in the first quarter of 2024 were substantially lower than the equivalent figure for the previous year. The CMA acknowledges that there are some limitations with its estimates given that sales of flat oval ducts and fittings may be lumpy and sporadic and that the analysis includes both distributors that are vertically integrated in the manufacture of flat oval ducts and fittings and third-party distributors. However, the CMA considers that the shares of supply estimates are informative of the structure of the market and the Merged Entity's position post-Merger.

flat oval products are typically manufactured on demand and not stocked in distribution branches.<sup>141</sup>

114. Furthermore, Lindab currently distributes flat oval ducts and fittings manufactured by [X]. As noted at paragraph 23 above, as part of the rationale for the Merger, Lindab [X]. The CMA considers that, post-Merger, [X] would have other routes through which to distribute its products, including via other distributors (as discussed further at paragraph below), which may afford an opportunity for rival distributors of flat oval ducts and fittings to expand and increase their market position.

#### 5.5.2.2 *Third-party evidence*

115. Evidence received from third parties indicates that HAS-Vent is a very strong supplier of flat oval ducts and fittings. However, consistent with the shares of supply in Table 2 above, the majority of third parties indicated that Lindab is not a close rival or a good alternative distributor.
116. In particular, all competitors that responded to the CMA's market investigation in relation to flat oval ducts and fittings indicated that HAS-Vent is a very strong or strong competitor.<sup>142</sup> However, only one competitor indicated that Lindab is a very strong competitor, and another listed Lindab as a rival.<sup>143</sup>
117. Evidence from customers indicates that Lindab on balance is unlikely to have exercised a significant competitive constraint on HAS-Vent pre-Merger. Two HAS-Vent customers said that there are no alternatives to HAS-Vent. Although a few customers said they would consider switching to Lindab if HAS-Vent was not available, only one customer ranked Lindab as a good alternative to HAS-Vent.<sup>144</sup> One customer indicated that for large volumes HAS-Vent is the number one supplier, followed by Lindab.<sup>145</sup> Another customer explained that Lindab is a poor alternative because it is too expensive.<sup>146</sup>
118. A number of customers identified several alternatives to the Parties, with A&M Ventilation Suppliers, Wells Spiral Tubes, JA Glover, West Engineering and Allduct Equipment Supplies identified as good alternatives for flat oval ducts and fittings.<sup>147</sup>
119. The vast majority of third parties did not express concerns about the Merger in the distribution of flat oval ducts and fittings.

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<sup>141</sup> Parties' submission to the CMA, 18 March 2024, page 21; CMA note of the Issues Meeting, 3 April 2023, page 3.

<sup>142</sup> Third-party responses to the CMA's competitor questionnaire, question 12.

<sup>143</sup> Third-party responses to the CMA's competitor questionnaire, question 19.

<sup>144</sup> Third-party responses to the CMA's customer questionnaire, question 11.

<sup>145</sup> Note of call with a third-party dated 7 December 2023, paragraphs 2 and 18.

<sup>146</sup> Third-party response to the CMA's customer questionnaire, question 12(a).

<sup>147</sup> Third-party responses to the CMA's customer questionnaire, question 11

### 5.5.3 Conclusion

120. In view of the above, the CMA does not consider that the Merger gives rise to a realistic prospect of an SLC in the distribution of flat oval ducts and fittings in England and Wales.
121. While HAS-Vent is the largest distributor of flat oval ducts and fittings and is vertically integrated in the manufacture of flat oval ducts and fittings, Lindab is a relatively small distributor without its own manufacturing capacity, and is unlikely to be a close competitor to HAS-Vent.
122. Post-Merger, the Merged Entity will continue to be constrained by two sizeable vertically integrated rivals (Air Trace Sheet Metal and Wells Spiral Tubes), as well as two other rivals of a similar size to Lindab. Some distributors may also have opportunities post-Merger to further expand and grow their distribution activities.

## 5.6 Customer foreclosure in flat oval ducts and fittings in England and Wales

123. The CMA has considered whether it is or may be the case that the Merger has resulted, or may be expected to result, in an SLC as a result of customer foreclosure in the manufacture of flat oval ducts and fittings in England and Wales.
124. The concern with a customer foreclosure theory of harm is that the merged entity may use its control of a downstream firm to switch purchases from upstream rivals to itself, and thereby restrict its competitors' access to customers. While a loss of sales by competitors is not problematic in and of itself, and a firm using its own inputs can result in efficiencies, this may be a concern if it would result in these rival suppliers becoming less effective competitors for other customers. The merged entity would then face less competition in the upstream market, resulting in higher prices and lower quality.<sup>148</sup>
125. The specific concern the CMA has assessed in this case is whether the loss of Lindab as a customer for flat oval ducts and fittings could harm upstream competitors in the manufacture of these products.
126. In assessing this concern, the CMA considers whether the following three cumulative conditions are satisfied:<sup>149</sup>
  - (a) would the merged entity have the **ability** to use its control of downstream purchasing to harm the competitiveness of its upstream rivals by restricting their access to customers?

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<sup>148</sup> [CMA129](#), paragraph 7.23.

<sup>149</sup> [CMA129](#), paragraph 7.25.

- (b) would it have the **incentive** to actually do so, ie would it be profitable?
- (c) would the **effect** of foreclosure of these rivals substantially lessen overall competition?

127. The CMA has considered these cumulative conditions below.

### 5.6.1 Ability

128. To assess the Merged Entity's ability to foreclose, the CMA has considered whether the Merged Entity could harm the competitiveness of manufacturers of flat oval ducts and fittings. To do so, the CMA has considered (i) the importance of scale in the manufacture of flat oval ducts and fittings; and (ii) the downstream business of the Merged Entity (ie Lindab's distribution business) and whether it is an important customer.<sup>150</sup>
129. Consistent with the strategic rationale for the Merger (see paragraph 23), the CMA considers that the Merged Entity could refuse to distribute flat oval ducts and fittings for rival manufacturers entirely.

#### 5.6.1.1 Parties' submissions

130. The Parties submitted that the Merger will not result in the foreclosure of rival manufacturers of flat oval ducts and fittings on the basis that:
- (a) Lindab distributes only a small volume of flat oval ducts and fittings on behalf of [X], which has also decreased between 2023 and 2024.<sup>151</sup> In particular, Lindab distributed only approximately £[X] of flat oval ducts and fittings on behalf of [X] from January to March 2024 which is substantially lower than the equivalent figure for the previous year.<sup>152</sup>
  - (b) Absent Lindab acting as a sales channel for flat oval ducts and fittings, installers could turn to manufacturers of flat oval products such as [X] directly or to other distributors of ventilation system products who could place an order on their behalf.<sup>153</sup>
  - (c) Manufacturers of flat oval ducts and fittings also manufacture circular and/or rectangular ducts and fittings to cover costs incurred in the manufacture of

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<sup>150</sup> [CMA129](#), paragraph 7.26.

<sup>151</sup> Lindab's part 2 response of 30 January 2024 to the CMA's fourth Section 109 Notice of 18 January 2024, pages 4-6; and Parties' submission to the CMA, 18 March, pages 21.

<sup>152</sup> Parties' Issues Meeting presentation, slide 31.

<sup>153</sup> Parties' annotated response to the Issues Letter, 8 April 2024, paragraph 118(c)-(d).

flat oval products.<sup>154</sup> Flat oval products are therefore a minor add-on to most manufacturers, including in the case of [redacted]' business.<sup>155</sup>

- (d) Barriers to entry in the manufacture of flat oval products are low, as flat oval ducts start out as circular ducts, which are then stretched into an oval shape.<sup>156</sup>

### 5.6.1.2 CMA's assessment

#### 5.6.1.2.1 Importance of scale upstream

131. A loss of sales would typically only result in other firms becoming less effective rivals if there is a link between volumes and competitiveness. For example, fewer sales could lead to an increase in costs if economies of scale are substantial.<sup>157</sup>

132. The evidence the CMA has received is mixed on the level of scale required for a manufacturer to be effective in flat oval ducts and fittings.

- (a) A third party told the CMA that [redacted], suggesting that there are economies of scale in the production of flat oval ducts and fittings.<sup>158</sup>

- (b) Demand for flat oval ducts and fittings is relatively low and sporadic, suggesting that scale may be less important in the manufacture of this product.<sup>159</sup>

#### 5.6.1.2.2 Size of Lindab as a customer

133. Lindab distributes flat oval ducts and fittings for at least one manufacturer ([redacted]), which is a competitor to HAS-Vent.

134. The evidence available to the CMA shows that Lindab does not account for a substantial proportion of business for [redacted]. [redacted].<sup>160</sup> As noted in the Parties' submissions above (see paragraph a)), the value of flat oval ducts and fittings distributed by Lindab in the first three months of 2024 is also significantly lower than for the equivalent period in 2023, at approximately £[redacted]. However, the CMA considers that because of the lumpy nature of flat oval sales, the value of flat oval ducts and fittings distributed by Lindab in the first three months of 2024 may not be reflective of sales of a full year.

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<sup>154</sup> Parties' annotated response to the Issues Letter, 8 April 2024, paragraph 119.

<sup>155</sup> Parties' annotated response to the Issues Letter, 8 April 2024, paragraphs 119 and 123.

<sup>156</sup> Parties' annotated response to the Issues Letter, 8 April 2024, paragraph 135.

<sup>157</sup> [CMA129](#), paragraph 7.26.

<sup>158</sup> Note of a call with a third-party, 12 February 2024, paragraph 20.

<sup>159</sup> Note of a call with a third-party, 8 February 2024, paragraph 20; note of a call with a third-party, 7 December 2023, paragraph 19.

<sup>160</sup> [redacted] Note of a call with third-party, 12 February 2024, paragraph 7.



135. The evidence available to the CMA also shows that [redacted] and other manufacturers of flat oval ducts and fittings have a range of routes to market which could be used to compensate for any lost sales from Lindab.
- (a) There are a number of alternative non-vertically integrated distributors of flat oval ducts and fittings, including but not limited to Storm Ventilation, Midland Ventilation Supplies, A&M Ventilation, and JA Glover. For example, [redacted]<sup>161</sup>
  - (b) [redacted].<sup>162</sup>
  - (c) [redacted].<sup>163</sup>
  - (d) In line with the Parties' submissions, some customers choose to engage in direct sales of flat oval ducts and fittings from manufacturers. [redacted].<sup>164</sup>

#### 5.6.1.2.3 *Conclusion on ability*

136. For the reasons set out above, the CMA believes that the Merged Entity does not have the ability to engage in customer foreclosure. While there are rival manufacturers that may depend on Lindab, Lindab does not account for a substantial proportion of sales and there are adequate alternative routes to market to compensate for any lost sales with Lindab, including the use of direct sales.

#### 5.6.2 **Incentive and Effect**

137. As the CMA considers that the Merged Entity does not have the ability to engage in a customer foreclosure strategy, the CMA does not consider it necessary to assess whether (a) the Merged Entity would have the incentive to adopt a foreclosure strategy in relation to the manufacture of flat oval ducts and fittings in the UK and (b) the Merger would result in an effect on competition.

#### 5.6.3 **Conclusion**

138. In view of the above, the CMA believes that the Merger does not give rise to a realistic prospect of an SLC as a result of customer foreclosure in the manufacture of flat oval ducts and fittings in England and Wales.

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<sup>161</sup> Third party response to the CMA's follow-up questions, question 1.

<sup>162</sup> Note of a call with a third-party, 12 February 2024, paragraph 16.

<sup>163</sup> Note of a call with a third-party, 12 February 2024, paragraph 16; Third party response to the CMA follow-up questions, question 1.

<sup>164</sup> Third-party response to the CMA's customer questionnaire, question 9.

## 6. ENTRY AND EXPANSION

139. Entry, or expansion of existing firms, can mitigate the initial effect of a merger on competition, and in some cases may mean that there is no SLC. The CMA will consider the entry and/or expansion plans of rivals that are a direct response to the merger as a countervailing measure that could prevent an SLC.<sup>165</sup> In assessing whether entry or expansion might prevent an SLC, the CMA considers whether such entry or expansion would be timely, likely and sufficient.<sup>166</sup>
140. In this section, the CMA has considered whether entry and expansion could prevent an SLC from arising in the supply of circular ducts and fittings. The CMA has not considered entry and expansion in relation to the manufacture of flat oval ducts and fittings or the distribution of flat oval ducts and fittings given that the CMA has not found that the Merger gives rise to a realistic prospect of an SLC in either of these markets.

### 6.1.1 Parties' submissions

141. In relation to barriers to entry and expansion in the supply of circular ducts and fittings, the Parties submitted that:
- (a) Barriers to entry in the market are low due to (i) the lack of reputational/regulatory barriers; (ii) the absence of long-term supply contracts; and (iii) products being designed to specified standards.<sup>167</sup>
  - (b) There are examples of recent entry, with iDuct entering in 2021 and Allduct Equipment Supplies in December 2023, as well as a large number of potential entrants.<sup>168</sup> Many installers who have their own rectangular production facilities can enter by adding a circular machine to their facility.<sup>169</sup>
  - (c) Storm Ventilation's entry in 2017 and subsequent expansion of its network to 10 branches is an example of significant entry and expansion in the distribution of ducts and fittings in the last five years.<sup>170</sup> The Parties also noted that there has been significant entry and expansion in ventilation distribution more generally in the last five years, identifying Ductfix, Northern

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<sup>165</sup> Entry or expansion by rivals that occurs irrespective of whether the merger proceeds may be considered by the CMA in the competitive assessment where appropriate. [CMA129](#), paragraph 8.28.

<sup>166</sup> [CMA129](#), from paragraph 8.40.

<sup>167</sup> The Parties' submission to the CMA, 18 March 2024, page 16. The Parties also submitted that the OFT's decision in *Lindab/CCL* concluded that barriers to entry are low. The CMA notes however that the OFT's assessment in that decision dates from 2006 and is based on the evidence and market conditions pertaining at that time. In line with the CMA's evidenced-based approach, the CMA has assessed barriers to entry based on the evidence received and market conditions existing at the time of this investigation.

<sup>168</sup> The Parties' submission to the CMA, 18 March 2024, page 16 – 17.

<sup>169</sup> The Parties' submission to the CMA, 18 March 2024, page 16 – 17.

<sup>170</sup> The Parties' submission to the CMA, 18 March 2024, page 30.

Fans, L&B Ventilation Supplies, F&S Ventilation, DW Ducting Supplies, Ventilation Land and Simply Vent as other examples of new entry.<sup>171</sup>

- (d) In order to enter into the distribution of ventilation products, a new entrant needs suitable premises with a large area for stock (which the Parties submitted are readily available), delivery vehicle(s), employees (manager, assistant and HGV driver), computer, software, telecoms, website, etc and stock for start-up. To additionally enter into the manufacturing of circular ducts, circular machines cost approximately £150,000 and only need a single operator who can be trained in two weeks. Aside from Spiro, there are multiple alternative manufacturers of such machines and they are also available second-hand.<sup>172</sup> Overall, the Parties estimated the costs of entry in the manufacture and distribution of circular ducts and fittings to cost approximately £0.5 million.<sup>173</sup>

### 6.1.2 CMA's assessment

142. The evidence received by the CMA in the investigation does not indicate that entry or expansion in the supply of circular ducts and fittings will be timely, likely and sufficient to mitigate any SLC arising.
143. Evidence received by the CMA from a number of third parties active in the production and distribution of ducts and fittings indicated that there are barriers to entry and expansion due to (i) the upfront investment required for machinery and equipment; and (ii) recruiting staff with relevant technical expertise.<sup>174</sup> One third party (which is a manufacturer of circular ducts and fittings) noted that the estimated costs of setting up a new branch just for the purposes of distribution (and not also manufacture) would be approximately £1 million.<sup>175</sup>
144. As noted in the CMA's guidance, entry or expansion should be of sufficient scope and effectiveness to prevent an SLC from arising as a result of the merger.<sup>176</sup> As for the two new entrants identified by the Parties, Allduct Equipment Supplies and iDuct, neither were identified as competitors in circular ducts and fittings in the Parties' internal documents and only one customer identified iDuct as an alternative to the Parties with no customers identifying Allduct.<sup>177</sup> The available evidence does not therefore indicate that either supplier is likely to represent a

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<sup>171</sup> The Parties' submission to the CMA, 18 March 2024, page 30 – 31.

<sup>172</sup> Parties' annotated response to the Issues Letter, 8 April 2024, page 35; Parties' Issues Meeting presentation, slides 33 and 35. The Parties identified the following alternative manufacturers of duct machines: Ilmaksan Makina, DFC Makine, BLKMA, Comifo, JWT, SVR International, Hongjun Technology, Namcor and Tormec. See Lindab Internal Document, Annex 133, 'Lindab - s109(2b) - Q16 - Ductwork machine manufacturers.xls', 4 December 2023, page 1.

<sup>173</sup> The Parties' submission to the CMA, 18 March 2024, page 31 – 32.

<sup>174</sup> Note of a call with a third-party, 15 December 2023, paragraph 16; notes of calls with a third-party, 3 January 2024 and 8 February 2024, paragraph 18; note of a call with a third-party, 12 February 2024, paragraph 25; note of a call with a third-party, 30 January 2024, paragraph 14 – 15.

<sup>175</sup> Note of a call with a third-party, 3 January 2024, paragraph 24.

<sup>176</sup> [CMA129](#), paragraph 8.37.

<sup>177</sup> Third-party response to the CMA's competitor questionnaire, question 5a.

significant competitive constraint on the Merged Entity.<sup>178</sup> These examples do not support a conclusion that there would be further entry at a scale that would be timely, likely and sufficient to offset the competition lost as a result of the Merger.

145. While Storm Ventilation may have significantly expanded in recent years, as discussed at paragraphs 88(b) and 105(d), the CMA considers that distributors are likely to exert a weaker competitive constraint on the Merged Entity given that they do not have independent manufacturing capabilities. The CMA also notes that other distributors noted by the Parties as recent entrants (Ductfix, Northern Fans, L&B Ventilation Supplies, F&S Ventilation, DW Ducting Supplies, Ventilation Land and Simply Vent) were not identified by customers as alternatives and are not identified as competitors in the Parties' internal documents (with the exception of L&B which is identified as a competitor in only three HAS-Vent branch reports).<sup>179</sup>
146. Moreover, the available evidence does not indicate that competitors are likely to expand or enter into the supply of circular ducts and fittings in the near future. Competitors who responded to the CMA's market investigation either expressly ruled out any plans to expand (in some cases due to the Parties' market position) or did not have specific plans to do so.<sup>180</sup> The CMA also considers that competitors' ability to enter and/or expand may also be impacted by Lindab owning Spiro, an important provider of the machines used to manufacture circular ducts, for the reasons discussed at paragraph 102 above.

### **Conclusions on barriers to entry and expansion**

147. For the reasons set out above, the CMA does not consider that entry or expansion in the supply of circular ducts and fittings would be timely, likely and sufficient to prevent a realistic prospect of an SLC as a result of the Merger.

## **7. CONCLUSION ON SUBSTANTIAL LESSENING OF COMPETITION**

148. Based on the evidence set out above, 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 as a result of horizontal unilateral effects in the supply of circular ducts and fittings in England and Wales.

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<sup>178</sup> The CMA notes that, according to the Parties, Allduct Equipment has only recently entered the market in December 2023 and may not yet be familiar to many customers. Nevertheless, the CMA has not received any evidence from the Parties or otherwise to indicate that Allduct Equipment is likely to grow into a significant competitor in the near future.

<sup>179</sup> See: HAS-Vent Internal Document, Annex 088, '[><]'; HAS-Vent Internal Document, Annex 091, '[><]'; HAS-Vent Internal Document, Annex 119, '[><]'

<sup>180</sup> Third-party responses to the CMA's competitor questionnaire, question 10.

# DECISION

149. Consequently, the CMA believes that it is or may be the case that (i) a relevant merger situation has been created; and (iii) the creation of that situation has resulted, or may be expected to result, in an SLC within a market or markets in the United Kingdom.
150. The CMA therefore believes that it is under a duty to refer under section 22(1) of the Act. However, the duty to refer is not exercised whilst the CMA is considering whether to accept undertakings under section 73 of the Act instead of making such a reference.<sup>181</sup> Lindab has until 3 May 2024<sup>182</sup> to offer an undertaking to the CMA.<sup>183</sup> The CMA will refer the Merger for a phase 2 investigation<sup>184</sup> if Lindab does not offer an undertaking by this date; if Lindab indicates before this date that it does not wish to offer an undertaking; or if the CMA decides<sup>185</sup> by 13 May 2024 that there are no reasonable grounds for believing that it might accept the undertaking offered by Lindab, or a modified version of it.
151. The statutory four-month period mentioned in section 24 of the Act in which the CMA must reach a decision on reference in this case expires on 29 April 2024. For the avoidance of doubt, the CMA hereby gives Lindab notice pursuant to section 25(4) of the Act that it is extending the four-month period mentioned in section 24 of the Act. This extension comes into force on the date of receipt of this notice by Lindab and will end with the earliest of the following events: the giving of the undertakings concerned; the expiry of the period of 10 working days beginning with the first day after the receipt by the CMA of a notice from Lindab stating that it does not intend to give the undertakings; or the cancellation by the CMA of the extension.

**Sorcha O’Carroll**  
**Senior Director of Mergers**  
**Competition and Markets Authority**  
**26 April 2024**

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<sup>181</sup> Section [22\(3\)\(b\)](#) of the Act.

<sup>182</sup> Section [73A\(1\)](#) of the Act.

<sup>183</sup> Section [73\(2\)](#) of the Act.

<sup>184</sup> Sections [22\(1\)](#) and [34ZA\(2\)](#) of the Act.

<sup>185</sup> Section [73A\(2\)](#) of the Act.