

Anticipated Acquisition by XSYS Germany Holding GmbH of certain entities and assets comprising the MacDermid Graphics Solutions business

Decision on relevant merger situation and substantial lessening of competition

ME/7116/24

The Competition and Markets Authority’s decision on relevant merger situation and substantial lessening of competition under section 33(1) of the Enterprise Act 2002 given on 7 November 2024.

The Competition and Markets Authority (**CMA**) has excluded from this 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 [§]. Some numbers have been replaced by a range, which are shown in square brackets.

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SUMMARY

1. On 1 September 2024, XSYS Germany Holding GmbH (**XSYS**) agreed to acquire the MacDermid Graphics Solutions business, which comprises MacDermid Graphics Inc. and MacDermid Graphics Solutions Europe SAS, together with their direct and indirect subsidiaries and certain assets held by other affiliates of MacDermid, Incorporated (**MGS**) (the **Merger**). The Competition and Markets Authority (**CMA**) has concluded that it has jurisdiction to review this Merger because a relevant merger situation has been created.
2. XSYS and MGS overlap in the manufacture and supply of flexographic printing plates. Flexographic printing plates are used to transfer ink and images onto flexible printed materials such as corrugated packing boxes, labels, or food packaging.
3. The CMA has found that the aggregate value of the market for flexographic printing plates in the UK is below £30 million. The CMA also considers that (i) the Merger is not one of a potentially large number of similar mergers that could be replicated across the sector and (ii) the Merger is not in a sector which relates to any CMA priority areas or other areas of potential importance.
4. As a result, the CMA believes that the market(s) concerned is/are not of sufficient importance to justify a reference and has decided to exercise its discretion under section 33(2)(a) of the Enterprise Act 2002 (the **Act**) not to refer the Merger (the '**de minimis**' exception). The CMA did not have to conclude on whether the Merger gives rise to a realistic prospect of a substantial lessening of competition (an **SLC**) in the market(s) concerned because, even if the duty to refer is met, then the discretion under the 'de minimis' exception would be applied.
5. The Merger will therefore **not be referred** under section 33(1) of the Act.

ASSESSMENT

PARTIES AND MERGER

1. XSYS specialises in the development, manufacture and supply of flexographic printing plates and pre-press equipment to the printing and packaging industry.¹ XSYS is indirectly owned and controlled by [X<], one of a group of private equity funds advised by Lone Star Global Acquisitions, Ltd. and its subsidiaries (together, **Lone Star**).² XSYS manufactures its flexographic printing plates in Germany, and operates globally (including in the UK), with 14 offices across North America, South America, Europe and the Asia Pacific region.³ Lone Star's global turnover in 2023 was £[X<], of which £[X<] was generated in the UK.⁴
2. MGS specialises in the development, manufacture and supply of flexographic printing plates to the printing and packaging industry. MGS also supplies (but does not manufacture) flexographic pre-press equipment. MGS is owned by Element Solutions Inc, which is publicly listed on the New York Stock Exchange. MGS manufactures its plates in the United States of America, and operates globally (including in the UK), with nine offices in North America, South America, Europe, and the Asia Pacific region. MGS' global turnover in 2023 was £[X<], of which £[X<] was generated in the UK.⁵
3. Under an agreement entered into on 1 September 2024, certain subsidiaries of XSYS will acquire MGS.⁶ The transaction value is approximately \$325 million.⁷ Lone Star, XSYS and MGS are together referred to as the **Parties**.
4. The Parties informed the CMA that the Merger is also the subject of review by competition authorities in Brazil, [X<].⁸

PROCEDURE

5. The CMA commenced its phase 1 investigation on 21 October 2024. The CMA considered whether the Merger might be a candidate for the application of the 'de minimis' exception at an early stage of its review.⁹ In order to determine this, the CMA gathered a range of evidence from the Parties and third parties, in particular in relation to product market definition and UK market size. The evidence the CMA

¹ Final Merger Notice submitted to the CMA on 17 October 2024 (**FMN**), paragraph 2.

² FMN, paragraph 2.

³ FMN, paragraph 24.

⁴ FMN, section 6(a).

⁵ FMN, section 6(b).

⁶ FMN, paragraph 4.

⁷ FMN, paragraph 22.

⁸ FMN, paragraph 34.

⁹ [Mergers: Exceptions to duty to refer \(CMA64\)](#), paragraph 2.2.

has gathered has been tested rigorously and, where necessary, this evidence has been referred to within this Decision.

JURISDICTION

6. Each of Lone Star and MGS is an enterprise. As a result of the Merger, these enterprises will cease to be distinct.
7. The Parties overlap in the supply of flexographic printing plates in the UK with a combined share of supply of [50-60]% (with an increment of [20-30]%) by value in 2023.¹⁰ The CMA therefore believes that the share of supply test in section 23 of the Act is met.
8. The CMA therefore believes that it is or may be the case that arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation.
9. The initial period for consideration of the Merger under section 34ZA(3) of the Act started on 22 October 2024 and the statutory 40 working day deadline for a decision is therefore 16 December 2024.

BACKGROUND

10. The Parties overlap in the manufacture and supply of flexographic printing plates.¹¹ Flexographic printing plates are flexible photopolymer plates used to transfer ink and images onto flexible printed materials (substrates) such as corrugated packing boxes, labels, or food packaging.
11. The Parties produce raw plates that are then processed by customers into finished plates. This process imprints a raised image onto the surface of the printing plate and involves processing with either solvent, water, or thermal technology.¹² Once processed, the finished plates are mounted onto a printing press, coated with ink, and used to impress the required image onto the substrate (ie, the surface on which the image is printed onto).¹³
12. There are two main types of substrates produced by the printing process: (i) flexibles, which includes flexible packaging that is customized to fit the shape and

¹⁰ CMA analysis of revenue data provided by UK suppliers of flexographic printing plates. For more detail see footnote 25.

¹¹ XSYS and MGS also overlap in the supply of flexographic pre-press equipment, which is used in the processing of flexographic printing plates. The CMA considered at an early stage in its investigation that there were no plausible competition concerns in respect of the supply of pre-press equipment in the UK or more broadly. Lone Star also confirmed that it did not control or have material influence over any other businesses anywhere in the world that were either active in the manufacture and sale of flexographic printing plates or flexographic pre-press equipment, or had a vertical relationship with the Parties. XSYS response to the CMA's section 109 Notice, 3 September 2024, question 1.

¹² FMN, paragraph 82.

¹³ FMN, paragraph 63.

size of its contents (such as films, pouches, bags and wrappers); and (ii) corrugated, rigid stock used to transport consumer and industrial products.

13. The process of imaging and processing the plate results in a surface with microscopic printable dots that carry the ink onto the substrate. Depending on the plate type and the processing method these dots can have different 'dot shapes', which can be either a round top dot (**RTD**) or a flat top dot (**FTD**). Both Parties supply RTD and FTD plates.¹⁴
14. Flexographic printing plate customers primarily include reproduction houses and integrated printers. Reproduction houses process the plates before selling the finished plate to printers, whereas integrated printers process the plates and then use the finished plate for printing.

MARKET DEFINITION

Product market

15. The Parties submitted that the appropriate product market is the supply of flexographic printing plates.
16. The CMA considered whether the product market should be further segmented according to: (i) the plate processing technology used; (ii) the RTD / FTD plate dot type; and/or (iii) whether the plate was used for flexible or corrugated printing. However, the CMA has not found it necessary to conclude on whether the product market is narrower as total UK sales for flexographic printing plates alone is less than £30 million and, as discussed later on in this decision, the CMA has therefore exercised its discretion to apply the 'de minimis' exception.
17. The CMA also considered whether the product market should be any wider than flexographic printing plates. All third parties consulted submitted that there are no feasible alternatives to flexographic printing plates.¹⁵ In particular, third parties submitted that neither digital printing, nor rubber printing plates, are a suitable alternative as both methods are more expensive and have different use cases to flexographic plates.¹⁶ In addition, internal documents submitted by the Parties did not indicate competition between flexographic plates and other printing methods.
18. For the reasons set out above, the CMA considers that the appropriate product market is no wider than flexographic printing plates.

¹⁴ FMN, paragraphs 80-81.

¹⁵ Note of call with a third party, September 2024; Note of call with a third party, September 2024; Note of call with a third party, September 2024; Note of call with a third party, September 2024.

¹⁶ Note of call with a third party, September 2024; Note of call with a third party, September 2024; Note of call with a third party, September 2024; Note of call with a third party, September 2024.

Geographic market

19. The Parties submitted that the relevant geographic market is global on the basis that: (i) flexographic printing plate requirements are uniform between regions; and (ii) flexographic printing plate suppliers operate globally, and manufacture products at a single or limited number of locations worldwide for export to customers around the world.¹⁷
20. The CMA received evidence which suggests that the geographic market may be narrower than global. Specifically, while all third parties consulted confirmed that suppliers operate globally, some told the CMA it remains important for suppliers to have a local distribution network to minimise delivery times and meet potential urgent demand.¹⁸ In addition, XSYS' internal documents show that they track sales by geographic region (eg North America, Latin America, EMEA, etc).¹⁹ Similarly, MGS' documents track sales and competitor sales by country as well as by region.²⁰
21. Nevertheless, the CMA has not found it necessary to conclude on the exact geographic market because the CMA has, for the reasons set out below, exercised its discretion to apply the 'de minimis' exception.

Markets of insufficient importance

22. Under section 33(2)(a) of the Act, the CMA may decide not to refer a merger for an in-depth phase 2 investigation if it believes that the market(s) to which the duty to refer applies is/are not of sufficient importance to justify a reference. This exception is designed primarily to avoid references being made where the costs involved would be disproportionate to the size of the market(s) concerned.²¹
23. There may be merger investigations where it would be quicker and more efficient for the CMA to determine that it would apply its discretion to apply the 'de minimis' exception than it would be for the CMA to reach the requisite level of belief that the merger in question does not trigger the duty to refer. In such cases, the CMA may leave open the question of whether its duty to refer is met because, even if the duty to refer is met, the CMA would apply its discretion not to refer.²²
24. The CMA's starting point when considering whether to apply the 'de minimis' exception is the size of the market(s) concerned. The CMA considers that the market(s) concerned will generally be of sufficient importance to justify a reference

¹⁷ FMN, paragraphs 123-129.

¹⁸ Note of call with a third party, September 2024; Note of call with a third party, September 2024; Note of call with a third party, September 2024.

¹⁹ MGS Internal Document, Annex 8.1 to the FMN, [redacted], June 2024, slide 10.

²⁰ MGS, Annex 4 to the CMA's section 109 Notice, 5 September 2024.

²¹ [Mergers: Exceptions to duty to refer \(CMA64\)](#), paragraph 2.1.

²² [Mergers: Exceptions to duty to refer \(CMA64\)](#), paragraph 2.11.

(such that the exception will not be applied) where the annual value in the UK, in aggregate, of those market(s) is more than £30 million.²³

25. Where the annual value in the UK of the market(s) concerned is £30 million or less, the CMA will consider a number of factors, in addition to market size, in order to determine whether to exercise its discretion to apply the 'de minimis' exception. These are:²⁴
- (a) The extent to which revenues are an appropriate metric to assess market size and whether the market is expanding or contracting;
 - (b) Whether the merger is one of a potentially large number of similar mergers that could be replicated across the sector in question; and
 - (c) The nature of the potential detriment that may result from the merger, having particular regard to the CMA's objectives and priorities set out in its current Annual Plan.

Market size

26. The CMA estimated the size of the UK market for flexographic printing plates (the widest plausible market) using revenue data obtained from the Parties and their competitors for the period 2021-2023. This data shows that the market size for flexographic printing plates in the UK is approximately £22 million.²⁵
27. The data also demonstrates that the size of the UK market has been stable, with revenues of approximately £22 million in all three years for which data was provided. In addition, third parties confirmed that they did not expect the UK market to change significantly in the next five years.²⁶

Replicability

28. The CMA does not consider that the Merger is one of a potentially large number of similar mergers that could be replicated across the sector in question. It is not, for example, a merger involving local markets in a sector where firms are acquiring multiple small local businesses over time.

²³ [Mergers: Exceptions to duty to refer \(CMA64\)](#), paragraph 2.2.

²⁴ [Mergers: Exceptions to duty to refer \(CMA64\)](#), paragraphs 2.3 and 2.14.

²⁵ The CMA collected revenue data from the Parties and six of the seven other suppliers of flexographic plates to the UK for the period 2021-2023. The list of all suppliers was provided by the Parties and confirmed through consultation with third parties. The CMA did not receive revenue data from one supplier. However, this supplier was only mentioned by one third party as part of a tail of very small UK suppliers. As such, the CMA considers that these sales would be unlikely to materially increase the CMA's market size estimate.

²⁶ Note of call with a third party, September 2024; Note of call with a third party, September 2024.

Nature of the potential detriment

29. The CMA is less likely to exercise its discretion to apply the ‘de minimis’ exception to mergers in markets which are connected to the key priorities set out in the CMA’s Annual Plan. In some circumstances, the CMA may also consider that it would not be appropriate to apply the ‘de minimis’ exception even in markets that have no direct connection to the priorities set out in the Annual Plan because of the nature of the potential detriment.²⁷
30. The CMA considers that the supply of flexographic printing plates does not concern an area of priority set out in its 2024-2025 Annual Plan.²⁸ In particular, the supply of flexographic printing plates does not relate closely to essential spending, emergent and digital markets or sustainability and climate issues. In addition, it does not relate to other areas where the nature of the potential detriment could be important, taking account of the CMA’s purpose, such as key areas of public expenditure, markets used by people who need help the most or those of systemic importance within the UK.

Conclusion on the application of a ‘de minimis’ decision

31. Taking all the above factors into consideration, the CMA believes that the market(s) concerned in this case is/are not of sufficient importance to justify the making of a reference. As such, the CMA believes that it is appropriate for it to exercise its discretion to apply the ‘de minimis’ exception in accordance with section 33(2)(a) of the Act. The CMA did not have to conclude whether the Merger gives rise to a realistic prospect of an SLC in the market(s) concerned because, even if the duty to refer is met, then the discretion would be applied.²⁹

²⁷ [Mergers: Exceptions to duty to refer \(CMA64\)](#), paragraphs 2.26-28.

²⁸ CMA Annual Plan 2024/25, 14 March 2024, sections 5 and 6. The CMA’s key priorities are: (i) acting in areas where customers spend most of their money and time, particularly people that need help the most; (ii) helping emergent sectors, including digital markets, develop into high-growth, innovative and competitive markets; and (iii) ensuring the whole UK economy can grow productively and sustainably and accelerating transition to net zero. The CMA considered both the areas of focus and the medium-term priorities set out in the Annual Plan 2024/25 as part of its assessment.

²⁹ [Mergers: Exceptions to duty to refer \(CMA64\)](#), paragraph 2.11.

DECISION

32. The CMA believes that the market concerned in this case is not of sufficient importance to justify the making of a reference, in accordance with section 33(2)(a) of the Act.
33. The Merger will therefore not be referred under section 33 of the Act.

Elie Yoo
Director, Mergers
Competition and Markets Authority
7 November 2024