Anticipated Merger between Akzo Nobel N.V. and Axalta Coating Systems Ltd

Decision on relevant merger situation and substantial lessening of competition

ME/7143/26

OVERVIEW OF THE CMA'S DECISION

1. The Competition and Markets Authority (**CMA**) has found that the acquisition by Akzo Nobel N.V. (**AkzoNobel**) of Axalta Coating Systems Ltd. (**Axalta**) (the **Merger**) gives rise to a realistic prospect of a substantial lessening of competition (**SLC**) as a result of horizontal unilateral effects in the supply of vehicle refinish coatings in the UK.

2. The Merger will be implemented through a series of corporate restructuring steps under Bermuda law, resulting in Axalta becoming wholly owned by AkzoNobel.

3. AkzoNobel and Axalta are together referred to as the **Parties** and, for statements relating to the future, the **Merged Entity**.

4. As the CMA has found that the Merger gives rise to a realistic prospect of an SLC, the Parties have until 18 November 2026 to offer undertakings in lieu of a reference (**UILs**) to the CMA that will remedy the competition concerns identified. If no such undertakings are offered, then the CMA will refer the Merger pursuant to sections 33(1) and 34ZA(2) of the Enterprise Act 2002 (the **Act**).

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

5. AkzoNobel is a multinational group headquartered in the Netherlands that manufactures and supplies paints and coatings for consumer and industrial use.

6. Axalta is a multinational business headquartered in the United States that manufactures and supplies high-performance coatings systems and products.

7. The Parties' products that the CMA looked at in detail were:

(a) Vehicle refinish coatings: coatings used by repair centres and bodyshops to repair and repaint vehicles.

(b) Thermosetting powder coatings: coatings used across a range of applications, including architectural, industrial and automotive, to provide a durable finish.

Why did the CMA review this merger?

8. 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 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; each of AkzoNobel and Axalta is an enterprise and, as a result of the Merger, these enterprises will cease to be distinct; and the share of supply test is met.

What evidence has the CMA looked at?

9. In assessing this Merger, the CMA considered a wide range of evidence in the round.

10. The CMA received several submissions and responses to information requests from the Parties. The CMA also examined bidding data and the Parties' internal documents. The CMA gathered information from the Parties about the extent to which the Parties currently compete against each other and the competitive strength of other competitors.

11. The CMA spoke to, and gathered evidence from, the Parties' customers and competitors to understand the competitive landscape and their views on the impact of the Merger. The CMA also obtained competitors' sales data to reconstruct the market shares.

What did the evidence tell the CMA about the effects on competition of the Merger?

12. The CMA believes that the Merger raises significant competition concerns as a result of horizontal unilateral effects in the supply of vehicle refinish coatings in the UK. The CMA found that AkzoNobel and Axalta compete closely in the supply of vehicle refinish coatings in the UK, with both offering similar products, product range and technical support, and holding extensive vehicle manufacturer and insurer approvals. The Merger would remove an important competitive alternative for customers and the Merged Entity would be the clear UK market leader with a

combined share of supply of [40-50]%. Although other competitors would remain, the CMA found that they would not provide sufficient competition to offset the loss of rivalry between AkzoNobel and Axalta, especially towards the premium end of the market. The CMA believes that customers could therefore face higher prices or reduced quality and support as a result of the Merger.

13. The CMA does not believe that the Merger raises significant competition concerns as a result of horizontal unilateral effects in the supply of thermosetting powder coatings in the UK + EEA. Although AkzoNobel and Axalta are moderately close competitors in thermosetting powder coatings, the Merged Entity will continue to face sufficient competition from alternative suppliers in the UK + EEA. While no individual rival replicates either Party's competitive constraint across the market, these competitors would collectively exert a significant constraint on the Merged Entity. Widespread multi-sourcing allows customers to use different suppliers for different requirements and reallocate purchases between existing competitors.

14. The CMA found that the available evidence did not support a finding of significant competition concerns as a result of coordinated effects in the supply of thermosetting powder coatings in the UK + EEA. While some internal documents indicated that there had been attempts to encourage pricing discipline in the market in the past, the available evidence did not reveal that those attempts had resulted in successful coordination. The CMA also found that the likelihood of successful coordination was limited by certain market features, including the fragmented and differentiated nature of the relevant market, limitations in competitors' ability to observe effective pricing and the presence of competitors capable of undermining coordinated effects.

15. Finally, the CMA does not believe that the Merger raises significant competition concerns as a result of coordinated effects in the supply of vehicle refinish coatings in the UK. The CMA considers, based on the available evidence, that there was no evidence of pre-existing coordination and that it would be difficult to reach a common understanding on the terms of coordination and for a coordinated outcome to be internally sustainable.

What happens next?

16. The CMA believes that the Merger gives rise to a realistic prospect of an SLC in the supply of vehicle refinish coatings in the UK. The Parties have until 18 November 2026 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 33(1) and 34ZA(2) of the Act.