

COMPLETED ACQUISITION BY LINDAB INTERNATIONAL AB OF HAS-VENT HOLDINGS LIMITED

SUMMARY OF PROVISIONAL FINDINGS

22 AUGUST 2024

OVERVIEW OF OUR PROVISIONAL FINDINGS

1. The Competition and Markets Authority (**CMA**) has provisionally found that the completed acquisition by Lindab International AB (**Lindab**) of HAS-Vent Holdings Limited (**HAS-Vent**) (the **Merger**) has resulted, or may be expected to result, in a substantial lessening of competition (**SLC**) in the supply of circular ducts and fittings in the local areas centred around Nottingham and Stoke-on-Trent. This could lead to reduced choice and higher prices for customers in those areas.
2. Lindab and HAS-Vent are each a **Party** to the Merger; together they are referred to as the **Parties** and, for statements relating to the situation post-Merger, as the **Merged Entity**.
3. This is not our final decision, and we invite any interested parties to make representations to us on these provisional findings by no later than **17:00 hours on Thursday 12 September 2024**. Please make any responses to these provisional findings by email to Lindab.HASVent@cma.gov.uk. We will take all submissions received by this date into account in reaching our final decision.

WHO ARE THE BUSINESSES AND WHAT PRODUCTS DO THEY SUPPLY?

4. Lindab is a ventilation company headquartered in Sweden and listed on Nasdaq Stockholm. In the UK, Lindab is primarily active through Lindab UK and Ductmann, which both manufacture and distribute ventilation system products, including ducts and fittings. Lindab UK is headquartered in Northampton and operates from 22 branches (19 of which are in England and Wales), while Ductmann, headquartered in Bilston, operates from 2 branches (both in England). Lindab's total turnover in the UK was £[£] million in 2023.

5. HAS-Vent is a UK company headquartered in Wombourne, also active in the manufacture and distribution of ventilation system products, including ducts and fittings. HAS-Vent operates from 10 branches, all located in England. HAS-Vent's turnover in the UK was £[§] million in 2023.

OUR ASSESSMENT

Why are we examining this Merger?

6. The CMA's primary duty is to seek to promote competition for the benefit of consumers.¹ It has a duty to investigate mergers that could raise competition concerns in the UK, provided it has jurisdiction to do so.²
7. In this case, the CMA has jurisdiction over the Merger because the Parties' overlapping activities meet the 'share of supply' jurisdictional test: the Parties have a combined share of supply of circular ducts and fittings in England and Wales of [30–40%].

What evidence have we looked at?

8. In assessing the competitive effects of the Merger, we looked at a wide range of evidence in the round.
9. We received submissions and responses to information requests from the Parties and held hearings with each of Lindab and HAS-Vent. We also examined the Parties' internal documents, which provide some information about local competitive conditions, as well as the Parties' rationale for the Merger.
10. We also spoke to and gathered information from third parties, including competitors and customers to better understand the competitive landscape and obtain views on the impact of the Merger.

WHAT DID THE EVIDENCE TELL US ...

... about what would likely have happened had the Merger not taken place?

11. In order to determine what (if any) impact the Merger may be expected to have on competition, we have considered what would likely have happened had the Merger not taken place. This is known as the counterfactual.

¹ Section 25(3) Enterprise and Regulatory Reform Act 2013.

² In relation to completed acquisitions, see section 22 of the Act 2002.

12. Our provisional conclusion is that the appropriate counterfactual against which to assess the Merger is the pre-Merger conditions of competition whereby HAS-Vent and Lindab would have continued to compete broadly in the same way as they do now.

... about the effects of the Merger?

13. The Parties overlap in the supply of circular ducts and fittings. We received evidence from a range of sources showing that circular ducts and fittings are generally not substitutable with other types of ducts and fittings. This included evidence that the choice of ducting will be determined by design considerations and that different types of ducting differ significantly in price. Therefore, we have assessed the impact of the Merger on competition in the supply of circular ducts and fittings.
14. The evidence gathered from both customers and suppliers indicates that the things that matter most to customers when choosing a supplier of circular ducts and fittings are price, location, delivery times and product range.
15. During our phase 2 inquiry, we found that prices and all material aspects of service are set at branch level, with significant variation between branches. We also found that transport costs are high, such that the focus of both customers and branches is primarily local. Other suppliers told us that the majority of their customers are located in the area local to a branch. We have not identified any material parameters of competition which are set at national level. Therefore, we have assessed the impact of the Merger on competition at local level.
16. Statements taken from Lindab internal documents relating to the Merger show that Lindab considers HAS-Vent to be a close competitor in local areas where the Parties compete to supply the same set of customers. HAS-Vent internal documents also indicate that the Parties are close competitors in areas where they compete. This is consistent with evidence from customers, with most customers of one Party identifying the other Party as a good alternative supplier, and with evidence from competitors, the majority of whom identified both Parties as their main competitors.
17. In our assessment of local competitive conditions, we have taken account of various sources of evidence on the geographic area over which each of the Parties are competing, who their competitors are and the competitive pressure they are exerting on each other. Our assessment was also informed by our analysis of the internal documents provided by the Parties and data from third parties on their activities in the supply of circular ducts and fittings in each local area.

18. This assessment has led us to a provisional view that there are a number of Lindab branches which are unlikely to be serving areas that are also served by HAS-Vent branches, given the distances between the branches, such that the Parties are unlikely to be competing to a material degree.
19. We then identified areas in which the location of the Parties' branches and information on delivery distances for those branches indicated that the Parties may be competing with each other to a material degree. This led to the identification of 17 local areas for a more detailed assessment.
20. For areas where the Parties may be competing with each other to a material degree, we drew on a range of sources of evidence to consider (i) the extent of competition lost due to the Merger in the local area (ii) the strength of competition the Merged Entity would face from alternative suppliers in the relevant local area.
21. From this assessment, we found a number of areas where the Parties may be competing to serve the same customers, but where our provisional view is that there is sufficient competition remaining in the local area such that the Merger does not give rise to competition concerns in that area.
22. We identified two areas, centred on Nottingham and Stoke-on-Trent, where the Parties are likely to be competing to serve the same customers and our provisional view is that there is insufficient competition remaining in these areas to prevent competition concerns from arising.
23. Lindab and HAS-Vent both have branches located in Nottingham and a high proportion of Lindab's sales from its Nottingham branch are made to customers within or very close to Nottingham indicating that a significant element of competition in Nottingham is likely to be focussed on Nottingham itself. Other competing suppliers are located in a different city and a significant distance from the Parties' branches in Nottingham. The evidence indicates that these alternative competitors are likely to be weak competitors to the Parties' branches in Nottingham. Our provisional view, therefore, is that the Merger has resulted, or may be expected to result in, an SLC in the Nottingham area.
24. The Parties are the only strong suppliers of circular ducts and fittings located in Stoke-on-Trent. Other suppliers, such as SK Sales and Storm Ventilation Supplies, are located a considerable distance from Stoke-on-Trent and the evidence indicates that they are currently likely to be a weak competitive constraint on the Parties' branches in Stoke-on-Trent. Our provisional view, therefore, is that the Merger has resulted, or may be expected to result in, an SLC in the Stoke-on-Trent area.

.... about any countervailing factors?

25. We considered whether potential entry could occur to prevent or mitigate any SLC arising. In assessing whether entry or expansion might prevent an SLC, we considered whether it would be timely, likely and sufficient.
26. The Parties' view is that barriers to entry are low and that there have been several examples of entry and expansion in recent years. The evidence from third parties pointed to a number of potential barriers, including investment costs, low margins and the need for an established reputation for reliability and short delivery times.
27. We consider it unlikely that an entirely new entrant could build a reputation for strong customer service to develop its business to compete with the Parties within a reasonable timeframe. While the need to build a reputation may be less of a barrier for an existing supplier with experience in other ventilation markets or other local markets for circular ducts and fittings, such an entrant would still be required to incur investment costs, which may be unattractive in light of the low margins that it could potentially obtain.
28. We assessed the evidence provided by the Parties on sources of entry and consider that given the number of different local markets across England and Wales, the incidence of recent successful entry is low. We have not received any submissions or evidence from the Parties or any third parties to suggest that any suppliers have plans to enter the relevant local areas in which we have provisionally found an SLC in a timely manner.
29. Our provisional conclusion is that entry and/or expansion would not be timely, likely and sufficient to prevent the SLCs that we have provisionally found from arising.

... about the overall impact of the Merger on customers

30. Our statutory duty is to assess whether the Merger has resulted, or may be expected to result, in an SLC within any market or markets in the UK for goods or services. Any such reduction in competition can have a potential impact on consumers.
31. In this case, we are concerned that the Merger could lead to higher prices and reduced choice for customers of the Parties in the local areas centred around Nottingham and Stoke-on-Trent.

PROVISIONAL CONCLUSION

32. For the reasons above, we provisionally conclude that the Merger has resulted, or may be expected to result, in a substantial lessening of competition (SLC) in the supply of circular ducts and fittings in the local areas centred around Nottingham and Stoke-on-Trent.