

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

Provisional Findings Report

ME/7079/23
22 August 2024

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The Competition and Markets Authority has excluded from this published version of the provisional findings report information which the inquiry group 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 Some numbers have been replaced by a range. These are shown in square brackets. Non-sensitive wording is also indicated in square brackets.

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GLOSSARY

SUMMARY

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 £[~~XX~~] 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 £[~~XX~~] 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.
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.

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

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

... 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.

PROVISIONAL FINDINGS

1. THE REFERENCE

- 1.1 On 3 May 2024, the Competition and Markets Authority (**CMA**), in exercise of its duty under section 22(1) of the Enterprise Act 2002 (the **Act**),³ referred the completed acquisition (the **Merger**) by Lindab International AB (**Lindab**), via Lindab Limited (**Lindab UK**), of HAS-Vent Holdings Limited (**HAS-Vent**) for further investigation and report by a group of CMA panel members (the **inquiry group**).
- 1.2 Lindab and HAS-Vent are each a **Party** to the Merger; together they are referred to as the **Parties**. For statements referring to the future, Lindab and HAS-Vent are referred to as the **Merged Entity**.
- 1.3 In exercise of its duty under section 35(1) of the Act,⁴ the CMA must decide:
- (a) whether a relevant merger situation (**RMS**) has been created; and
 - (b) if so, whether the creation of that RMS has resulted, or may be expected to result, in a substantial lessening of competition (**SLC**) within any market or markets in the United Kingdom (**UK**) for goods or services.
- 1.4 In assessing the competitive effects of the Merger, we must decide whether there is an expectation (ie a more than 50% chance) that the Merger will result in an SLC.
- 1.5 We are required to prepare and publish our final report by 17 October 2024.
- 1.6 Our terms of reference, along with information on the conduct of the inquiry, are set out in Appendix A and Appendix B respectively.
- 1.7 This document, together with its appendices, constitutes the provisional findings published and notified to the Parties in line with the CMA's rules of procedure.⁵ Further information relevant to this inquiry can be found on the CMA webpage.⁶

³ [Section 22\(1\)](#) of the Act.

⁴ [Section 35\(1\)](#) of the Act.

⁵ [CMA rules of procedure for merger, market and special reference groups \(CMA17\)](#), March 2014, Rule 11.

⁶ See: [Lindab/HAS-Vent merger inquiry](#).

2. PARTIES, MERGER, MERGER RATIONALE AND SYNERGIES

The Parties

Lindab

- 2.1 Lindab is the parent company of a global group of companies (the **Lindab Group**) active in the supply of ventilation system products and headquartered in Sweden. It is listed on Nasdaq Stockholm and has a market capitalisation of SEK 19.38 billion (c.£1.4 billion).⁷ The Lindab Group operates in two key business areas:
- (a) **Ventilation Systems**, which offers duct systems with accessories, and indoor climate solutions for ventilation, cooling and heating. This business segment accounts for 74% of Lindab Group's net sales, with the majority of sales focused in Western Europe (55%).⁸
 - (b) **Profile Systems**, which offers products and systems in sheet metal for rainwater systems, roof and wall products as well as steel profiles for wall, roof and beam constructions. This business segment accounts for 26% of the Lindab Group's net sales with the vast majority of sales focused in the Nordic region (79%).⁹
- 2.2 In the UK, the Lindab Group is primarily active through Lindab UK and Ductmann Limited (**Ductmann**), which both manufacture and distribute ventilation system products, including ducts and fittings. Lindab UK is headquartered in Northampton and operates from a total of 22 branches (19 of which are in England and Wales),¹⁰ while Ductmann, headquartered in Bilston, operates from a total of two branches (both in England).¹¹
- 2.3 Lindab told us that its total turnover in the UK was £[REDACTED] million in 2023. The majority (over 90%) of Lindab's turnover in the UK is generated by Lindab UK.¹² Its 2022 and 2021 statutory accounts show the following turnover and profit.¹³

⁷ NASDAQ Company Fact Sheet dated 21 August 2024. Market capitalisation is correct as at close on 20 August 2024. See [Morningstar Report](#) last accessed by the CMA on 21 August 2024. Exchange rate: SEK to GBP 13.7127:1.

⁸ [Business areas \(lindabgroup.com\)](#) last accessed by the CMA on 19 August 2024.

⁹ [Business areas \(lindabgroup.com\)](#) last accessed by the CMA on 19 August 2024.

¹⁰ Lindab Limited's branches outside of England and Wales are located in Belfast, Aberdeen and Edinburgh.

¹¹ Parties' response to the CMA's section 109 Notice 1, 7 November 2023, questions 14 and 31.

¹² Parties' response to the CMA's section 109 Notice 1, 7 November 2023, questions 11 and 13.

¹³ [Lindab Limited statutory accounts for year ended 31 December 2022](#) filed with Companies House [last accessed by the CMA on 19 August 2024].

Table 2.1: Financial summary of Lindab Limited statutory accounts for year ended December 2022 and December 2021

	(£)m	
	2022	2021
Revenue	65.9	59.5
Gross profit	20.8	19.7
Operating profit	3.5	4.8
Profit before taxation	3.9	5.1
Net profit	3.1	4.2

Source: [Lindab Limited statutory accounts for year ended 31 December 2022 and 31 December 2021](#) [last accessed by the CMA on 19 August 2024].

2.4 Lindab UK's management accounts covering the period from October 2022 to September 2023, show the following revenue and profit:

Table 2.2: Financial summary of Lindab Limited management accounts from October 2022 to September 2023

	(£m)
Total sales	[REDACTED]
Gross profit	[REDACTED]
EBITDA	[REDACTED]
Profit before taxes	[REDACTED]
Net profit	[REDACTED]

Source: Lindab Limited management accounts covering the period from October 2022 to September 2023 (Lindab internal document, Annex 020 to CMA section 109 Notice 1, 7 November 2023, question 16).

2.5 Lindab provided a breakdown of Lindab UK and Ductmann's 2023 revenues in England and Wales split by product group.¹⁴ The sale of circular ducts and fittings accounted for £[REDACTED] million out of £[REDACTED] million of Lindab UK's revenues in the ventilation system components business segment, and £[REDACTED] million of Ductmann's overall revenues of £[REDACTED] million.

HAS-Vent

2.6 HAS-Vent is a UK company headquartered in Wombourne, also active in the manufacture and distribution of ventilation system products, including ducts and fittings.¹⁵ HAS-Vent operates from a total of 10 branches, all located in England.¹⁶ HAS-Vent's turnover in the UK was £[REDACTED] million in 2023.¹⁷

2.7 Prior to the Merger, HAS-Vent was owned by Jonathan Black and Peter Slater (joint Managing Directors of HAS-Vent).¹⁸ They acquired the business through a management buy-out from the Hotchkiss Group Ltd in March 2020.¹⁹

¹⁴ Lindab's response to the CMA's section 109 Notice 1, 23 May 2024, question 1(a).

¹⁵ Lindab's response to the CMA's RFI 1, 24 October 2023, question 2.

¹⁶ Parties' response to the CMA's section 109 Notice 1, 7 November 2023, question 31.

¹⁷ Parties' response to the CMA's section 109 Notice 1, 7 November 2023, page 1.

¹⁸ See, for example, Lindab, '[Lindab acquires the British ventilation company HAS-Vent](#)', 5 October 2023 [last accessed by the CMA on 19 August 2024].

¹⁹ Parties' submission to the CMA 'Submission 1 to the Competition and Markets Authority on Competition Analysis', 18 March 2024, page 4.

2.8 Below we provide a summary of the statutory accounts for HAS-Vent in 2021 and 2022 and also the management accounts for 2022 and 2023.

Table 2.3: Financial summary of HAS-Vent's statutory accounts for year-ended 2022 and 2021 and management accounts for year-ended September 2023

		(£)m	
	2023	2022	2021
Turnover	[REDACTED]	20.1	17.5
Gross profit	[REDACTED]	8.1*	7.3
Operating profit	[REDACTED]	2.9	2.4
Profit before taxation	[REDACTED]	2.8	2.3
Net profit	[REDACTED]	2.4	1.9

Source: HAS-Vent's statutory accounts for year-ended 30 September 2022 and 30 September 2021, and HAS-Vent management accounts for year-ended September 2023 ([HAS-Vent Limited statutory accounts for year ended 30 September 2022](#) filed with Companies House, page 9 [last accessed by the CMA on 19 August 2024]; HAS-Vent internal document, Annex 003 to CMA's section 109 Notice 1, 7 November 2023).

* [REDACTED].

2.9 HAS-Vent provided a breakdown of its 2023 revenues in England and Wales split by product group. HAS-Vent's revenues derived from the sale of ventilation system components in 2023 stood at £[REDACTED] million, with the sale of circular ducts and fittings accounting for £[REDACTED] million of these revenues.²⁰

The Merger

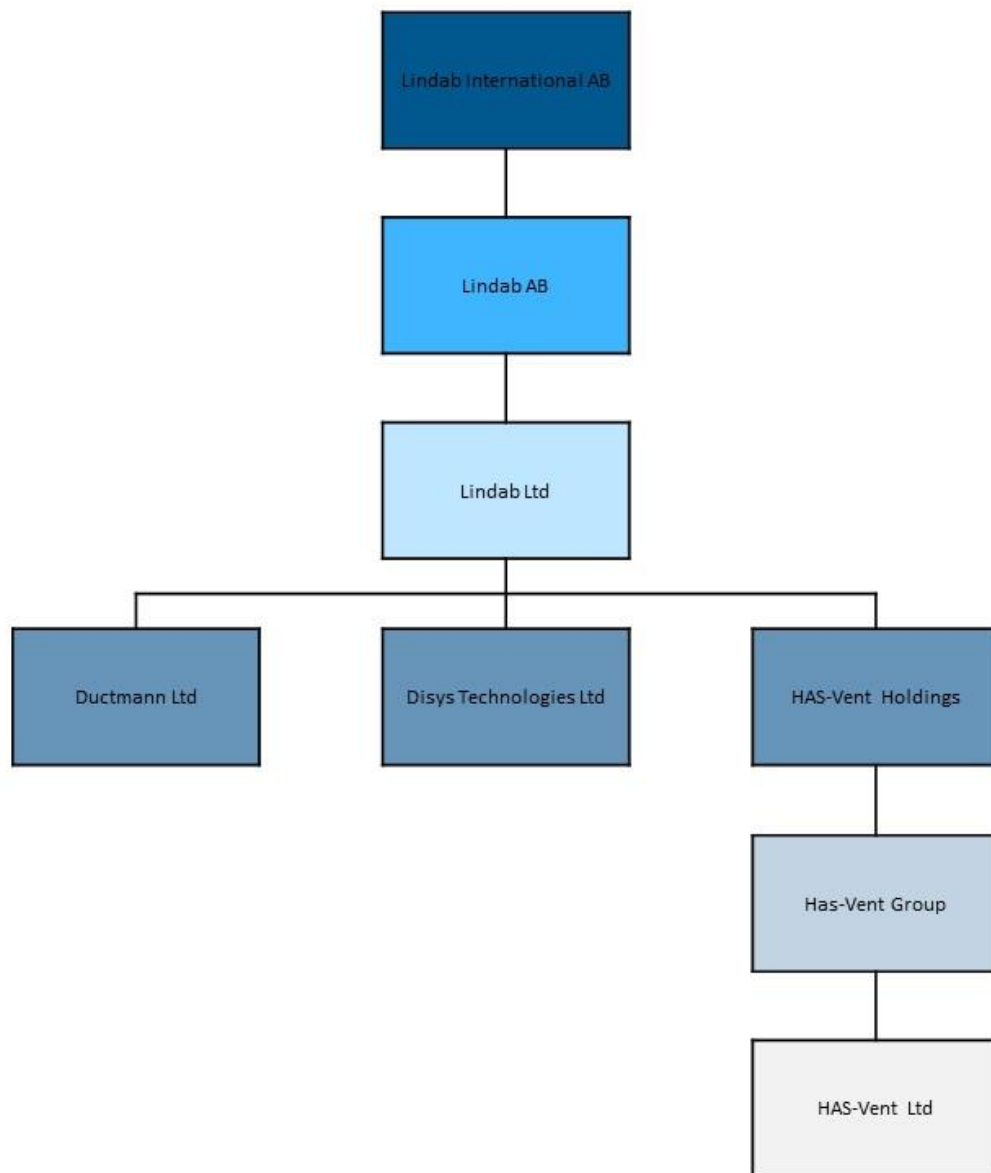
2.10 Lindab, via Lindab UK, acquired the entire issued share capital of HAS-Vent and its subsidiaries pursuant to a share purchase agreement (**SPA**) dated 5 October 2023.²¹ The Merger also completed on 5 October 2023.

2.11 Pursuant to the SPA, Lindab UK acquired three HAS-Vent entities: HAS-Vent Holdings Limited, HAS-Vent Group Limited (100% of the issued share capital of this company is held by HAS-Vent Holdings Limited) and HAS-Vent Limited (100% of the issued share capital of this company is held by HAS-Vent Group Limited). The post- Merger legal structure of Lindab UK is detailed below:

²⁰ HAS-Vent's response to the CMA's section 109 Notice 1, 23 May 2024, question 1(a).

²¹ Parties' response to the CMA's section 109 Notice 1, 7 November 2023, question 4, Annex 96.

Figure 2.1: Post-Merger structure of Lindab UK



Source: Lindab (Lindab response to the CMA's section 109 Notice 1, 7 November 2023, question 6, Annex 009).

Merger rationale

Lindab's stated rationale for the Merger

2.12 Lindab submitted that the rationale for the Merger is to:

- (a) strengthen Lindab's overall market position in the supply of circular products in the UK;

- (b) allow Lindab to expand in the supply of rectangular, flat oval and Colorduct²² products (which it does not manufacture itself); and
- (c) introduce Lindab to the Liverpool and Eastbourne areas (where Lindab does not currently have a branch).²³

2.13 Lindab's internal documents²⁴ confirm the stated Merger rationale and also note that '[REDACTED]'.²⁵ The internal documents also explain that Lindab is seeking to insource £[REDACTED] million of HAS-Vent's fittings rather than relying on Vento Group, HAS-Vent's current supplier of pressed-fittings.²⁶ Lindab also wishes to infuse the successful and profitable business culture of HAS-Vent into Lindab. Further details of synergies expected to arise from the Merger are discussed in paragraphs 2.15 and 2.16 below.

HAS-Vent's stated rationale for the Merger

2.14 HAS-Vent explained that the main rationale for discussing a potential sale of the HAS-Vent business was [REDACTED]. [REDACTED] realising a financial reward for their work over the preceding three years.²⁷

Merger synergies

- 2.15 Lindab submitted that it had originally considered that some efficiencies could be achieved from the Merger [REDACTED].²⁸ This is evident from Lindab's internal documents [REDACTED]. Further analysis was intended to be carried out by Lindab during due diligence [REDACTED].²⁹
- 2.16 Lindab's internal documents suggest other potential synergies arising from the Merger (which have not been quantified), [REDACTED] and the potential opportunity to offer Lindab's [REDACTED] and fire rated duct systems to HAS-Vent customers.³⁰

²² HAS-Vent's Colorduct product is a form of coloured ducting.

²³ Parties' response to the CMA's section 109 Notice 1, 7 November 2023, question 23.

²⁴ Lindab response to the CMA's section 109 Notice 1, 7 November 2023, page 6, Annex 33; and Parties' submission to the CMA 'Submission 1 to the Competition and Markets Authority on Competition Analysis', 18 March 2024, page 4.

²⁵ Lindab response to the CMA's section 109 Notice 1, 7 November 2023, page 1, Annex 47.

²⁶ Lindab response to the CMA's section 109 Notice 1, 7 November 2023, page 1, Annex 47.

²⁷ HAS-Vent's response to the CMA's section 109 Notice 2, 13 June 2024, question 3.

²⁸ Parties' submission to the CMA 'Submission 1 to the Competition and Markets Authority on Competition Analysis', 18 March 2024, page 4.

²⁹ Lindab response to the CMA's section 109 Notice 1, 7 November 2023, Annex 47, slide 2.

³⁰ Lindab response to the CMA's section 109 Notice 1, 7 November 2023, Annex 47, page 1.

3. RELEVANT MERGER SITUATION

Introduction

- 3.1 This chapter addresses the first of the two statutory questions which we are required to answer under section 35 of the Act and pursuant to our Terms of Reference, namely whether an RMS has been created.³¹
- 3.2 The concept of an RMS has two principal elements: (a) two or more enterprises have ceased to be distinct enterprises within the statutory period for reference;³² and (b) the turnover test and/or the share of supply test is satisfied.³³ We address each of these elements in turn below.

Enterprises ceasing to be distinct

Enterprises

- 3.3 The first element of the jurisdictional test is whether two or more enterprises have ceased to be distinct as a result of the Merger.³⁴
- 3.4 The Act defines an ‘enterprise’ as ‘the activities or part of the activities of a business’.³⁵ A ‘business’ is defined as including ‘a professional practice and includes any other undertaking which is carried on for gain or reward or which is an undertaking in the course of which goods or services are supplied otherwise than free of charge’.³⁶ CMA guidance explains that the enterprise in question need not be a separate legal entity.³⁷
- 3.5 Lindab and HAS-Vent are both active in the supply of ventilation system products, including circular ducts and fittings, in England and Wales (see paragraphs 2.2 and 2.6 above). As noted above, in 2023, Lindab generated turnover of approximately £[X] million and HAS-Vent generated turnover of approximately £[X] million in the UK.³⁸
- 3.6 Our provisional view is that each of Lindab and HAS-Vent is a ‘business’ within the meaning of the Act and that, accordingly, the activities of each of Lindab and HAS-Vent constitutes an ‘enterprise’ for the purposes of the Act.

³¹ See [section 35](#) of the Act and Appendix A.

³² Sections [23](#) and [24](#) of the Act.

³³ [Section 23](#) of the Act.

³⁴ The Act also prescribes a time limit within which, or circumstances in which, enterprises are treated as ceasing to be distinct ([section 24](#) of the Act).

³⁵ [Section 129\(1\)](#) of the Act.

³⁶ [Section 129\(1\)](#) of the Act.

³⁷ See: [Mergers: Guidance on the CMA's jurisdiction and procedure \(CMA2revised\)](#), January 2021 (as amended on 4 January 2022), paragraph 4.6.

³⁸ Parties' response to the CMA's section 109 Notice 1, 14 November 2023, question 11.

Ceasing to be distinct

- 3.7 The Act provides that any two enterprises cease to be distinct if they are brought under common ownership or common control.³⁹ The Merger concerns the acquisition by Lindab (via Lindab UK) of the entire issued share capital of HAS-Vent. Therefore, as a result of the Merger, HAS-Vent and Lindab have been brought under common ownership or control within the meaning of section 26 of the Act.
- 3.8 Accordingly, our provisional view is that the Merger has resulted in two or more enterprises (namely, the enterprises of Lindab and HAS-Vent) ceasing to be distinct.

The applicable statutory period

- 3.9 The Act requires that the enterprises must have ceased to be distinct within either (a) not more than four months before the day on which the reference is made, or (b) where the merger took place without having been made public and without the CMA being informed of it, four months from the earlier of the time that material facts are made public or the time the CMA is told of material facts.⁴⁰ The four-month period may be extended under section 25 of the Act.⁴¹
- 3.10 The Merger completed on 5 October 2023.
- 3.11 The CMA was made aware of the Merger through its mergers intelligence function and considers that the Merger was made public, for the purposes of section 24(3) of the Act, on 5 October 2023.⁴²
- 3.12 On 17 November 2023, the Parties agreed to extend the four-month period under sections 25(1) and 32(4) of the Act by 20 working days.⁴³
- 3.13 The four-month period was also extended under section 25(2) of the Act as the Parties failed to comply with deadlines set by two notices issued under section 109 of the Act.⁴⁴ The four-month deadline for a decision under section 24 of the Act was therefore extended to 29 April 2024.

³⁹ [Section 26](#) of the Act.

⁴⁰ [Section 24](#) of the Act.

⁴¹ [Section 25](#) of the Act.

⁴² Lindab response to the CMA's section 109 Notice 1, 7 November 2023, question 7.

⁴³ See sections [25\(1\)](#) and [32\(4\)](#) of the Act.

⁴⁴ On 7 November 2023 and on 1 December 2023, the CMA issued notices under [section 109](#) of the Act (**the Notices**) to Lindab UK with a deadline to respond to certain questions by 14 November 2023 and 8 December 2023 respectively. Lindab UK failed to provide the required information and documents by the dates prescribed in the Notices. Therefore, the CMA extended the four-month time period under [section 25\(2\)](#) of the Act on 22 November 2023 and on 20 December 2023. Following the CMA being satisfied that the information and documents were provided, both extensions were terminated on 17 January 2024. Overlapping extensions are not added together by virtue of [section 25\(11\)](#) of the Act, therefore the four-month deadline was extended by 56 calendar days.

- 3.14 The CMA made its phase 1 decision on the relevant merger situation and substantial lessening of competition (the **Phase 1 Decision**⁴⁵) under section 22(1) of the Act on 26 April 2024 which was within the statutory 40 working day deadline for a decision on whether to make a reference.⁴⁶ The Parties had until 3 May 2024⁴⁷ to offer any undertakings in lieu of a reference (**UILs**) to the CMA. Pursuant to section 25(4) of the Act the four-month deadline was extended in order to allow the Parties the opportunity to offer UILs.⁴⁸ On 26 April 2024, the Parties informed the CMA that they would not offer UILs. Accordingly, pursuant to section 25(5)(b) of the Act, the extension to the four-month period ended on 13 May 2024.⁴⁹ The CMA referred the Merger for a phase 2 investigation on 3 May 2024.⁵⁰
- 3.15 In view of the above, our provisional view is that the enterprises of Lindab and HAS-Vent ceased to be distinct within the applicable statutory period for reference, and therefore the first limb of the RMS test is met.

Turnover test or share of supply test

- 3.16 The second element of the jurisdictional test seeks to establish sufficient connection with the UK on a turnover or share of supply basis.
- 3.17 The turnover test is met where the value of the turnover in the UK of the enterprise being taken over exceeds £70 million. As the turnover of HAS-Vent in the UK in its last financial year prior to the Merger agreement was approximately £[~~70~~] million,⁵¹ the turnover test is not met. We are therefore required to consider whether the share of supply test is met.
- 3.18 The share of supply test is met where, as a result of enterprises ceasing to be distinct, the following condition prevails or prevails to a greater extent: at least one quarter of goods or services of any description which are supplied in the UK, or in a substantial part of the UK, are supplied either by or to one and the same person.⁵² The requirement that the condition prevails or prevails to a greater extent means that the merger must result in the creation or increase in a share of supply of goods or services of a particular description and the resulting share must be 25% or more.
- 3.19 The description of goods or services identified for the purposes of the jurisdictional test does not have to correspond with the economic market definition adopted for

⁴⁵ See: CMA, [Phase 1 Decision](#), 26 April 2024.

⁴⁶ The CMA gave notice under [section 96\(2A\)](#) of the Act that the 'initial period' (as defined in [section 34ZA\(3\)](#) of the Act) commenced on 29 February 2024. The statutory 40 working day deadline for a decision (under [section 34ZA](#) of the Act) on whether to make a reference was therefore 26 April 2024.

⁴⁷ [Section 73A\(1\)](#) of the Act.

⁴⁸ CMA, [Phase 1 Decision](#), 26 April 2024, paragraph 151.

⁴⁹ Sections [25\(5\)\(b\)](#) and [32\(4\)](#) of the Act.

⁵⁰ See Chapter 1 and Appendix A.

⁵¹ Parties' response to the CMA's section 109 Notice 1, 14 November 2023, question 11.

⁵² Sections [23\(2\)](#), [\(3\)](#) and [\(4\)](#) of the Act.

the purposes of determining the SLC question.⁵³ We will have regard to any reasonable description of a set of goods or services to determine whether the share of supply test is met.⁵⁴ Importantly, however, the parties must together supply or acquire the same category of goods or services.⁵⁵

- 3.20 The relevant point in time for calculation of the share of supply in this case is immediately before the reference was made.⁵⁶
- 3.21 At phase 1, the Parties did not contest that the jurisdictional threshold was met on the basis of the Parties' combined share of supply exceeding 25%.
- 3.22 The CMA at phase 1 found that the Parties overlap in the supply of circular ducts and fittings, with a combined share of supply of [40–50%] (with an increment of [10–20%] arising from the Merger) on the basis of revenues in 2023 generated in England and Wales from the supply of circular ducts and fittings.⁵⁷
- 3.23 At phase 2, we have engaged with the Parties and other suppliers of circular ducts and fittings in order to more accurately estimate the Parties' shares of supply.
- 3.24 Based on the information obtained during our inquiry, we have calculated the Parties' shares of supply on the basis of revenues in 2023 generated in England and Wales from the supply of circular ducts and fittings to be:
- (a) Lindab's revenue amounts to £[~~8~~] million and therefore Lindab has a share of supply of [20–30%]; and
 - (b) HAS-Vent's revenue amounts to £[~~8~~] million and therefore HAS-Vent has a share of supply of [5–10%].
- 3.25 Therefore, the Parties' combined share of supply of circular ducts and fittings on the basis of revenues in 2023 generated in England and Wales is [30–40%].
- 3.26 In view of the above, our provisional view is that the share of supply test in section 23 of the Act is met,⁵⁸ and therefore the second limb of the RMS test is met.

Provisional conclusion on the RMS

- 3.27 In view of the above, we have provisionally concluded that the Merger has resulted in the creation of an RMS.

⁵³ [CMA2revised](#), paragraph 4.59(a).

⁵⁴ [CMA2revised](#), paragraph 4.59(b).

⁵⁵ [CMA2revised](#), paragraph 4.59(e).

⁵⁶ [Section 23\(9\)](#) of the Act.

⁵⁷ CMA, [Phase 1 Decision](#), 26 April 2024, paragraph 30.

⁵⁸ [Section 23](#) of the Act.

4. COUNTERFACTUAL

Introduction

- 4.1 This chapter sets out our assessment and provisional conclusion on the appropriate counterfactual for the Merger.
- 4.2 The counterfactual is an analytical tool used in answering the question of whether a merger gives rise to an SLC. It does this by providing the basis for a comparison of the prospects of competition with the merger against the competitive situation without the merger. The latter is called the counterfactual.⁵⁹
- 4.3 This chapter is structured under the following headings:
- (a) Framework for assessing the counterfactual.
 - (b) Parties' views on the appropriate counterfactual.
 - (c) Assessment of the appropriate counterfactual.
 - (d) Provisional conclusion on the counterfactual.

Framework for assessing the counterfactual

- 4.4 The CMA's framework for assessing the counterfactual is set out in the Merger Assessment Guidelines (the **MAGs**). At phase 2, the CMA has to make an overall judgement as to whether or not an SLC has occurred or is likely to occur.⁶⁰ To help make this assessment, the CMA will select the most likely conditions of competition as its counterfactual against which to assess the merger. In some instances, the CMA may need to consider multiple possible scenarios before identifying the relevant counterfactual (eg a merger firm being purchased by alternative acquirers). In doing this, the CMA will consider whether any of the possible scenarios make a significant difference to the conditions of competition and, if any do, the CMA will find the most likely conditions of competition absent the merger as the counterfactual.⁶¹
- 4.5 The counterfactual is not, however, intended to be a detailed description of the conditions of competition that would have prevailed absent the merger and the CMA will generally conclude on the counterfactual conditions of competition broadly. The CMA's assessment of those conditions is better considered in the

⁵⁹ CMA 'Merger Assessment Guidelines', 18 March 2021 (CMA129) ([MAGs](#)), paragraph 3.1.

⁶⁰ See [MAGs](#), chapter 3.

⁶¹ [MAGs](#), paragraph 3.13.

competitive assessment.⁶² The CMA also seeks to avoid predicting the precise details or circumstances that would have arisen absent the merger.⁶³

- 4.6 Establishing the appropriate counterfactual is an inherently uncertain exercise and evidence relating to future developments absent the merger may be difficult to obtain. Uncertainty about the future will not in itself lead the CMA to assume the pre-merger situation to be the appropriate counterfactual. As part of its assessment, the CMA may consider the ability and incentive (including but not limited to evidence of intention) of the merger firms to pursue alternatives to the merger, which may include reviewing evidence of specific plans where available.⁶⁴
- 4.7 Further, the time horizon considered by the CMA in its assessment of the counterfactual will depend on the context, and will be consistent with the time horizon used in the competitive assessment.⁶⁵

Parties' view on the appropriate counterfactual

- 4.8 The Parties submitted that it would be appropriate to assess the Merger according to the status quo ante⁶⁶ (the pre-Merger conditions of competition).
- 4.9 Lindab submitted that in the event that the Merger did not occur, it would have continued to follow the same strategy as it is currently pursuing. In particular, it would have continued to self-supply and service its customers locally through its branches.⁶⁷
- 4.10 The Parties submitted that HAS-Vent may have been sold to another purchaser⁶⁸ but, if not, it would have continued to trade on a business-as-usual basis and would have continued to manufacture circular ducts and some of its fabricated fittings, while purchasing pressed and some fabricated fittings from Vento or another supplier.⁶⁹

Assessment of the appropriate counterfactual

- 4.11 The Parties have not provided us with any submissions or evidence to suggest that if the HAS-Vent business had been sold to another purchaser, this would have led to any meaningful difference in the pre-Merger conditions of competition. Furthermore, we have not received any evidence from third parties which supports an alternative counterfactual to the pre-Merger conditions of competition.

⁶² [MAGs](#), paragraphs 3.7 and 3.9.

⁶³ [MAGs](#), paragraph 3.11.

⁶⁴ [MAGs](#), paragraph 3.14.

⁶⁵ [MAGs](#), paragraph 3.15.

⁶⁶ Parties' response to the CMA's section 109 Notice 1, 7 November 2023, question 20.

⁶⁷ Lindab's response to the CMA's section 109 Notice 2, 13 June 2024, question 2.

⁶⁸ Parties' response to the CMA's section 109 Notice 1, 7 November 2023, question 20.

⁶⁹ HAS-Vent's response to the CMA's section 109 Notice 2, 13 June 2024, question 1.

Provisional conclusion on the counterfactual

- 4.12 For the reasons set out above, 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.

5. COMPETITION TO SUPPLY CIRCULAR DUCTS AND FITTINGS

Introduction

- 5.1 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.
- 5.2 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.
- 5.3 Both Parties (and their competitors) supply a range of other ventilation system components, including dampers, grilles/diffusers, fans, and flange/hanging support.⁷⁰
- 5.4 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.
- 5.5 Our inquiry has focused on the supply of circular ducts and fittings. In this chapter, we set out:
- (a) An overview of the supply chain for the supply of circular ducts and fittings.
 - (b) A description of the main differences in the business models of different suppliers of circular ducts and fittings.
 - (c) Evidence on the factors affecting end-customer choice of supplier and how suppliers compete to attract and retain customers.
 - (d) Evidence on whether the ability to manufacture and scale provide suppliers with any competitive advantage.

⁷⁰ 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.

The supply chain for circular ducts and fittings

- 5.6 There are three main product groups: circular ducts, pressed fittings and fabricated fittings. Each of these are manufactured in different locations. Circular ducts are bulky and costly to transport and are therefore manufactured in the UK.⁷¹ Circular fittings can be either fabricated or pressed. Pressed and smaller-diameter fabricated fittings are used on smaller, more common circular duct sizes, whereas larger diameter ducts are connected using fabricated fittings only. Larger fabricated fittings are manufactured in the UK whereas all pressed fittings and many smaller fabricated fittings are typically imported.⁷²
- 5.7 The key actors in this market are manufacturers (some of whom distribute themselves), distributors and end customers who are typically installers.

Supplier business models

- 5.8 Suppliers vary in two main ways:
- (a) First, there is a large difference in size, with some companies having multiple branches or access to a network of distributors. Other companies are small, with one site that focuses on supplying a local area.
 - (b) Second, there are different business models specifically:
 - (i) pure distributors that do not manufacture;
 - (ii) manufacturers that predominantly sell their products through distribution companies but also sell direct to some, typically larger, customers;
 - (iii) companies that both manufacture and distribute; and
 - (iv) installers manufacturing largely for self-supply but which may also sell products to third parties.
- 5.9 As noted above suppliers also typically offer a range of other ventilation components.⁷³ Lindab submitted that across its top ten circular ducts and fittings customers in 2023, other products accounted for [X]% of Lindab's revenues.⁷⁴

⁷¹ Parties' response to the Issues Letter, 7 April 2024, paragraph 19.

⁷² Lindab Main Party Hearing transcript, 18 July 2024, page 55, lines 1-18.

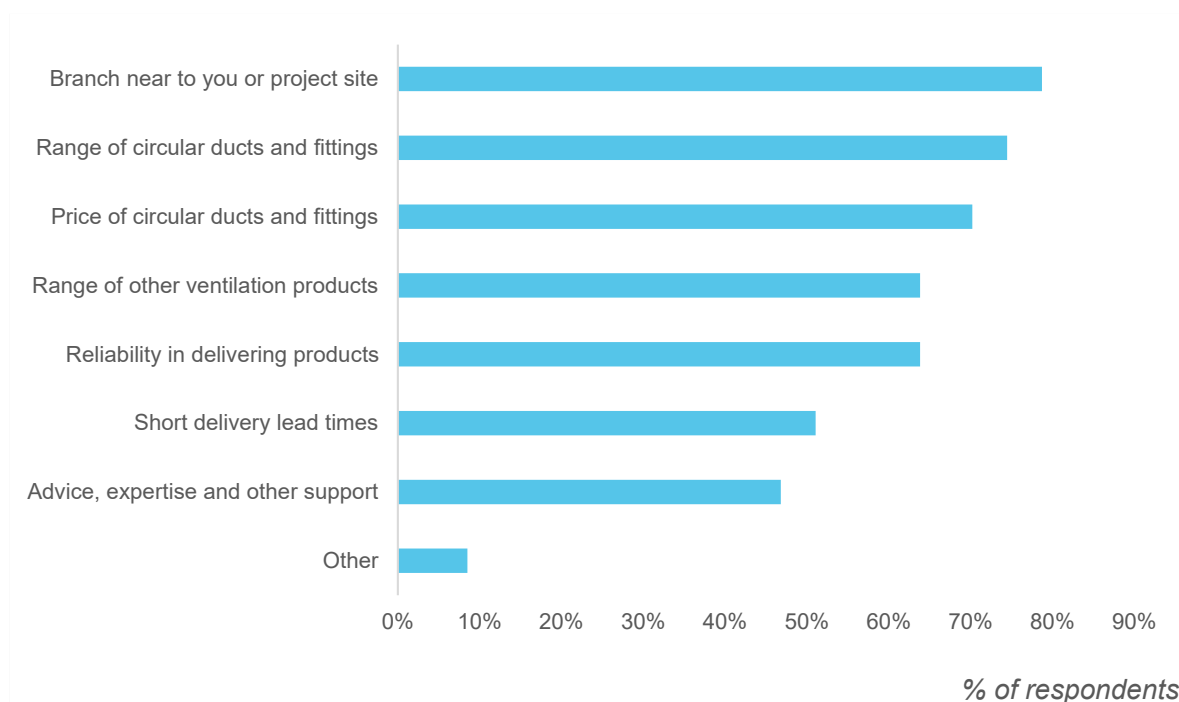
⁷³ Parties' response to the CMA's Annotated Issues Statement and Working Papers, 29 July 2024, page 5; and Parties' response to the Issues Letter, 7 April 2024, paragraph 20.

⁷⁴ Parties' response to the CMA's Annotated Issues Statement and Working Papers, 29 July 2024, page 5.

Factors affecting customer choice of supplier

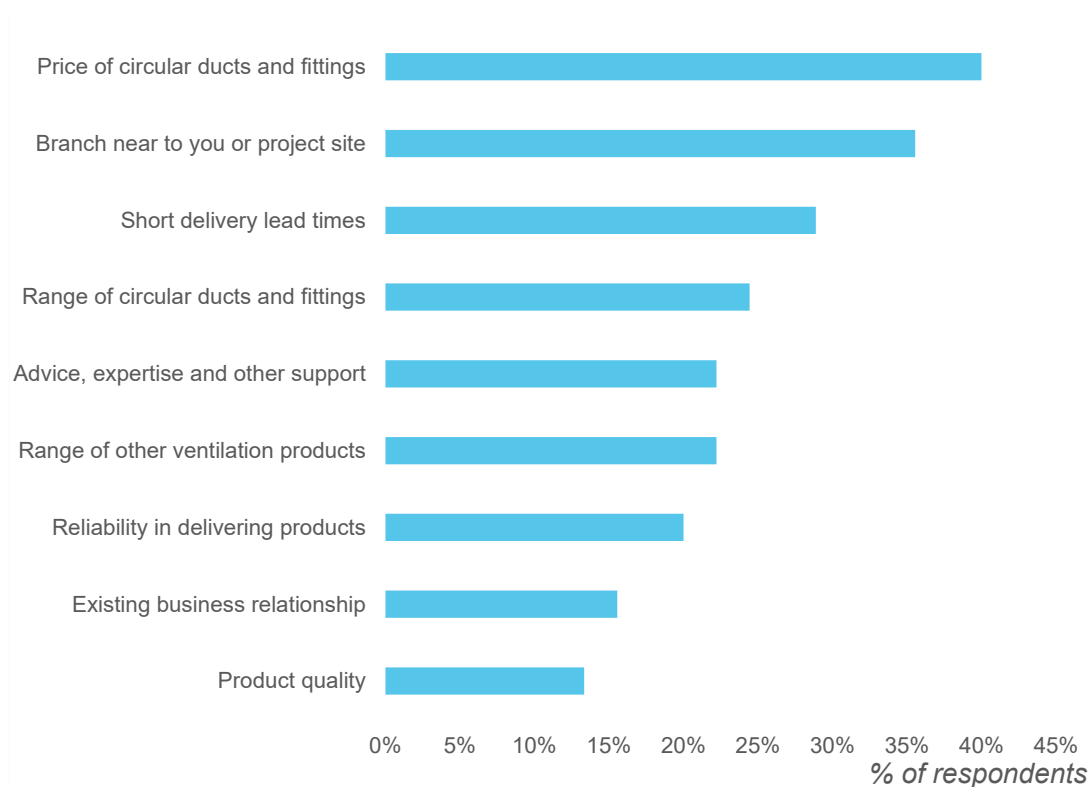
5.10 We asked Lindab and HAS-Vent customers to identify the reasons why they chose to buy circular ducts and fittings from the Parties rather than another supplier. Figure 5.1 shows the percentage of customers that identified each reason from a prepopulated list. We also asked the Parties' customers to tell us, unprompted, their main reason for choosing their supplier, in response to which customers frequently provided more than one reason. Figure 5.2 shows these responses, grouped by category, ranked by the percentage of customers who mentioned each reason.

Figure 5.1: Customers' reasons for choosing Lindab or HAS-Vent



Source: Third party responses to the customer questionnaire, question 6.

Figure 5.2: Customers' main reasons for choosing Lindab or HAS-Vent



Source: Third party responses to the customer questionnaire, question 7.

- 5.11 We also asked the Parties and third-party suppliers through questionnaires and in calls to tell us about what they think matters to customers in choosing a supplier.
- 5.12 Taking into account the evidence gathered from both customers and suppliers, our understanding of the key factors in order of importance is as follows:
- (a) price;
 - (b) location of the supplier;
 - (c) customer support (particularly reliability);
 - (d) ability to supply the volume required in a timely manner (availability); and/or
 - (e) range of products available – ie the range of circular ducts or the range of ventilation system products more generally.
- 5.13 Price is a key factor when customers choose between suppliers. Of the customers who responded to the relevant question in our questionnaire, 33 out of 47 selected price as a reason behind their choice of Lindab or HAS-Vent with 18 of 45 describing it as the 'main reason'.⁷⁵ This was reflected also in our calls with the

⁷⁵ Third party responses to the CMA's customer RFI 1, questions 8-11.

Parties and other suppliers who referred to price as a key factor in customers' decisions.⁷⁶ For example HAS-Vent told us that [REDACTED].⁷⁷

- 5.14 The nature of construction work means that it is not always possible to predict exactly when ventilation products will be required on site. Products are bulky and therefore they cannot be delivered ahead of time and stored. Installers therefore frequently order stock with short lead times, with one supplier estimating that more than 80% of its orders required next day delivery.⁷⁸ In addition, transport costs are high relative to the cost of the products. It is therefore not in customers' or suppliers' interests to transport circular ducts over long distances. Both the need for timely delivery and high transport costs mean that the location of a supplier's site or branch is very important to customers. 37 out of 47 customers selected having a branch nearby as a reason behind their choice of supplier, with 16 (of 47) noting this as a 'main reason' for their choice and 13 stating short delivery lead times as a 'main reason' why they chose their supplier.⁷⁹
- 5.15 We have received evidence that customers value reliability, in particular a supplier's ability to fulfil an order at short notice without issue. Specifically, in response to a question on reasons behind their choice of Lindab or HAS-Vent as a supplier, 30 out of 47 mentioned reliability.⁸⁰ A key element to being able to fulfil an order quickly and reliably is having the stock available to deliver, both in terms of volume and range. Two Lindab branch managers we spoke to noted the importance of stock availability to customers.⁸¹ In particular, range of products was frequently recognised as a key determinant of customer choice by both suppliers and customers. Of the customers who responded to the relevant question in our questionnaire, 35 out of 47 cited the range of circular ducts and fittings provided as a reason behind their choice of supplier.⁸⁰ Similarly, 30 out of 47 noted that the range of other ventilation components was also a factor.

How suppliers compete to attract customers

- 5.16 Given the importance of price, reliability, product availability and product range to customers (as described above) we have focussed on understanding how the Parties set prices and ensure stock availability to reliably supply customers.
- 5.17 We understand that both Parties set prices based on national price lists with discounts from these price lists individually negotiated with customers at the

⁷⁶ Parties' Branch Manager call notes. Lindab Birmingham, 11 June 2024, paragraph 7; Lindab High Wycombe, 10 June 2024, paragraph 8; Lindab Kent, 12 June 2024, paragraph 7; Lindab Manchester, 12 June 2024, paragraph 7; Lindab Leeds, 20 June 2024, paragraph 8; Lindab Southampton, 10 June 2024, paragraph 8; Lindab Stoke-on-Trent, 11 June 2024, paragraph 7; HAS-Vent Branch Manager call note, 26 June 2024, paragraph 6. Third party call notes.

⁷⁷ HAS-Vent Branch Manager call note, Assistant Director, 17 June 2024, paragraph 26.

⁷⁸ Third party call note.

⁷⁹ Third party responses to the CMA's customer RFI 1, questions 8-11.

⁸⁰ Third party responses to the CMA's customer RFI 1, question 6.

⁸¹ Lindab Branch Manager call notes. Lindab High Wycombe, 10 June 2024, paragraph 8; and Lindab Stoke-on-Trent, 11 June 2024, paragraph 7.

branch level.⁸² The Parties submitted that branch managers have significant discretion in terms of discounting, both in terms of the ability to discount and the levels of discount that can be applied. For example, currently Lindab branch managers have discretion to apply discounts on circular ducts and fittings of as much as [X]% to [X]% from their national price lists. In 2023, average discounts between branches varied from [X]% to [X].⁸³

5.18 The Parties submitted that HAS-Vent [X] but that Lindab [X].⁸⁴ We understand, however, that Lindab [X].⁸⁵

5.19 The Parties submitted that each branch has discretion over which products to stock and the amount of stock held. They noted that branches will tend to offer a similar range of core products due to similarities in local customer demand. They also provided evidence of differences in stock levels between branches, for example for ventilation installation equipment which for Lindab varied between [X]% and [X]% of the total value of the stock in a branch.⁸⁶

Role of manufacturing and scale to the competitiveness of suppliers

5.20 Given the variety of business models used by different suppliers (see paragraph 5.8) we have considered evidence regarding whether (a) the ability to manufacture and (b) the scale of a supplier affect the competitiveness of a supplier.

Manufacturing

5.21 The Parties submitted that the ability to manufacture [X].⁸⁷

5.22 HAS-Vent explained that the decision to continue with manufacturing was [X].⁸⁸ Lindab similarly described it as '[X]'.⁸⁹ Disadvantages included higher overheads (rents, labour costs etc) and advantages included lower transportation costs, greater flexibility to respond to demand and control over quality.⁹⁰

5.23 We have received evidence that distributors may counter any advantages manufacturers may have in relation to product availability by getting regular deliveries and keeping higher levels of stock. One distributor told us that its

⁸² Lindab response to the CMA's section 109 Notice 1 (part 1), 1 December 2023, pages 13-15; Lindab response to the CMA's section 109 Notice 1 (part 2), 1 December 2023, pages 13-15; and HAS-Vent response to the CMA's section 109 Notice 1, 1 December 2023, pages 3-4.

⁸³ Parties' response to the CMA's Annotated Issues Statement and Working Papers, 29 July 2024, pages 8-9.

⁸⁴ Parties' response to the CMA's Annotated Issues Statement and Working Papers, 29 July 2024, page 10.

⁸⁵ Lindab Main Party Hearing transcript, 18 July 2024, page 36 line 19 to page 37, line 3.

⁸⁶ Parties' response to the CMA's Annotated Issues Statement and Working Papers, 29 July 2024, pages 6-7.

⁸⁷ Parties' response to the CMA's Annotated Issues Statement and Working Papers, 29 July 2024, pages 17-18 and 20.

⁸⁸ HAS-Vent Main Party Hearing transcript, 17 July 2024, page 44, line 20 to page 47, line 12.

⁸⁹ Lindab Main Party Hearing transcript, 18 July 2024, page 49, line 11.

⁹⁰ Lindab Main Party Hearing transcript, 18 July 2024, page 47 line 24 to page 49, line 10; and HAS-Vent Main Party Hearing transcript, 17 July 2024, page 45, lines 15-23.

branches typically held about five days of stock. It also, albeit only for a small proportion of deliveries, arranged for products to be delivered directly from the manufacturer to the contractor's site.⁹¹

- 5.24 However, we have received some evidence of the advantages to scale within manufacturing. Lindab told us that where it had a large number of machines making fabricated fittings eg in its Manchester branch, individual machines could be ringfenced to produce a particular type of fitting.⁹² By contrast, one manufacturer told us that many mid-tier manufacturers only have one machine which is only able to produce a limited range of ducts and fittings.⁹³ HAS-Vent told us that when trialling a single machine in the Rochester branch the scrap metal rate [X].⁹⁴ It also told us that having one manufacturing site at Wombourne meant that production could be more efficient and that there was greater control over health and safety considerations.⁹⁵
- 5.25 Overall, we did not receive clear evidence that having a manufacturing capability provides a significant competitive advantage. In particular, we note that several of the larger suppliers have very different approaches to manufacturing. Specifically, while HAS-Vent has a single manufacturing site, Lindab has manufacturing capability located in some branches and not others, while Storm Ventilation Supplies Ltd (**Storm**) and SK Sales Ltd (**SK Sales**) do not have any in-house manufacturing capability instead relying on supplies from third parties. Therefore, while there may be advantages and disadvantages to different approaches to manufacturing, it is possible for these different approaches to be competitive.

Scale and Branch Network

- 5.26 The Parties submitted that:⁹⁶

- (a) Scale [X].
- (b) Having a branch network [X].

- 5.27 However, we received evidence that supplying at scale and having a branch network may result in some competitive advantages. For example:

- (a) HAS-Vent told us that the cost of galvanised steel is approximately [X]% of the production cost of circular ducts⁹⁷ and [X].⁹⁸

⁹¹ Third Party call note.

⁹² Lindab Main Party Hearing transcript, 18 July 2024, page 59, line 32 to page 60, line 2.

⁹³ Third party call note.

⁹⁴ HAS-Vent Main Party Hearing transcript, 17 July 2024, page 47, line 17 to page 48, line 3.

⁹⁵ HAS-Vent Main Party Hearing transcript, 17 July 2024, page 48, lines 8-11.

⁹⁶ Parties' response to the CMA's Annotated Issues Statement and Working Papers, 29 July 2024, pages 17, 18 and 20.

⁹⁷ HAS-Vent Branch Manager call note, Assistant Director, 17 June 2024, paragraph 25.

⁹⁸ Lindab response to the CMA's section 109 Notice 1 response, 3 July 2023, Annex 1004, page 3.

- (b) Suppliers with multiple sites may be able to supply customers more reliably in some circumstances. For example, a branch network may allow a supplier to cross-supply from a nearby branch, providing greater flexibility; or on occasion staff from neighbouring branches can be used to cover absences.⁹⁹
- (c) Having access to a branch network can prove more convenient for customers. Lindab told us that its customers [redacted].¹⁰⁰
- (d) Having a branch network can help strategically. Lindab told us that it uses branch reports to spot successful strategies that can then be rolled out to other branches.¹⁰¹

5.28 Overall, although we received some evidence to suggest that a large supplier with a branch network may derive a competitive advantage as a result of its scale, the extent of these advantages is uncertain. Furthermore, we have not received evidence to suggest that the Merged Entity's increased scale would result in it enjoying a material competitive advantage especially when compared to suppliers such as Mechanical Air Supplies Ltd (**MAS**) or J.A. Glover Limited (**JA Glover**) who may also enjoy some benefits from supplying at scale.

⁹⁹ Parties' response to the CMA's Annotated Issues Statement and Working Papers, 29 July 2024, pages 20 and 24.

¹⁰⁰ Lindab Main Party Hearing transcript, 18 July 2024, page 34, lines 13-20.

¹⁰¹ Lindab Main Party Hearing transcript, 18 July 2024, page 33, lines 15-24.

6. MARKET DEFINITION

Introduction

- 6.1 This chapter sets out our assessment of the relevant markets for the purposes of our analysis of the competitive effects of the Merger.
- 6.2 Where the CMA makes an SLC finding, this must be ‘within any market or markets in the UK for goods or services’.¹⁰² Thus, the relevant markets are those within which the merger may lead to an SLC and comprise the most significant competitive alternatives available to customers of the merger firms.¹⁰³ An SLC can affect the whole or part of a market or markets.¹⁰⁴
- 6.3 Market definition can be a useful tool for identifying in a systematic manner the immediate competitive constraints facing the merged entity. However, it is not an end in itself. The outcome of any market definition exercise does not determine the outcome of the competitive assessment in any mechanistic way, and the CMA may take into account constraints on the merged entity from outside the relevant market, segmentation within the relevant market, or other ways in which some constraints are more important than others.¹⁰⁵

Product market

The supply of circular ducts and fittings

- 6.4 As described in paragraphs 5.1 to 5.4 above, both Parties supply circular ducts and fittings.¹⁰⁶
- 6.5 We have received evidence from a range of sources showing that circular ducts and fittings are generally not substitutable with other types of ducts and fittings:
- (a) Lindab noted that the type of system (rectangular, circular etc) will be specified by a consultant, and the duct type will be dictated by the air volumes required and physical constraints of the project. The Parties also acknowledged that there are price differences between the different types of duct.¹⁰⁷
 - (b) Circular ducts are standardised products made to UK and European specifications, whereas rectangular and flat oval ducts are tailor-made to the

¹⁰² [Section 35](#) of the Act in relation to completed mergers.

¹⁰³ [MAGs](#), paragraph 9.2.

¹⁰⁴ [MAGs](#), paragraph 9.1.

¹⁰⁵ [MAGs](#), paragraph 9.4.

¹⁰⁶ We have considered circular ducts and fittings in combination since they are typically sold to installers in combination.

¹⁰⁷ Lindab response to the CMA’s section 109 Notice 2, 1 December 2024 question Q5i.

specific requirements of installers.¹⁰⁸ Different machinery is also required to produce different duct shapes so suppliers cannot shift their production capacity between different types of ducts depending on the demand for each.

- (c) Several suppliers provided evidence that circular and rectangular ducts are generally not substitutable, including noting that the choice of ducting will be determined by design considerations.¹⁰⁹
- (d) Most customers (30 of 48) who responded to our information request stated that rectangular ducts are not a good alternative to circular ducts. All customers bar one (17 of 18) who said that circular and rectangular ducts are alternatives, said that this was only sometimes or rarely.¹¹⁰

6.6 The Parties agree that the relevant product market is the supply of circular ducts and fittings.¹¹¹

6.7 In light of the above we provisionally conclude that the appropriate product market is the supply of circular ducts and fittings.

Geographic market

6.8 The Phase 1 Decision found that, while there are both local and national aspects to the supply of circular ducts and fittings, the appropriate geographic market was England and Wales.¹¹²

6.9 During our phase 2 inquiry the Parties submitted further evidence that competition takes place at a local level.¹¹³ The Parties submitted that there is no national purchasing and prices and all material aspects of service are set at the local level, with significant variation between branches. The Parties submitted that although ducts and fittings can, in principle, be transported over longer distances the focus of both customers and branches is primarily local.¹¹⁴ The Parties submitted that competition does not take place at a national level and there are [redacted].¹¹⁵

6.10 We have received a range of additional evidence during our phase 2 inquiry indicating that installers select suppliers that are local to them and that the

¹⁰⁸ Parties' submission to the CMA 'Submission 1 to the Competition and Markets Authority on Competition Analysis', 18 March 2024, page 4.

¹⁰⁹ Third party call notes. Third party response to the CMA's section 109 Notice.

¹¹⁰ Third party responses to the CMA's customer RFI 1, question 5.

¹¹¹ The Parties also submitted that the focus should be on the distribution rather than manufacture of circular ducts and fittings and the term supply may conflate the two. In our local competitive assessments we have focussed on the ability of suppliers to distribute circular ducts and fittings to installers in each local area. Parties' response to the CMA's Annotated Issues Statement and Working Papers, 29 July 2024, paragraph 3.1 and 3.2.

¹¹² CMA, [Phase 1 Decision](#), 26 April 2024, paragraph 64.

¹¹³ For example: Parties' response to the CMA's Annotated Issues Statement and Working Papers, 29 July 2024, paragraph 3.4-3.8; and [Parties' response to the phase 2 Issues Statement](#), 19 June 2024, paragraphs 2.4-2.6.

¹¹⁴ Parties' response to the Issues Letter, 7 April 2024, paragraph 19; and [Parties' response to the phase 2 Issues Statement](#), 19 June 2024, paragraph 1.4.

¹¹⁵ Parties' response to the CMA's Annotated Issues Statement and Working Papers, 29 July 2024, paragraphs 3.4-3.8.

competitive interaction between suppliers of circular ducts and fittings is largely taking place at a local level. In particular:

- (a) The Parties provided information on delivery drive-times.¹¹⁶ For all orders (ie including orders for products other than circular ducts and fittings) the average delivery drive-time for 80% of a branch's sales by value was 77 minutes for Lindab and 74 minutes for HAS-Vent.¹¹⁷ Lindab also provided data for a sample of branches on the delivery drive-times for orders containing circular ducts and fittings. For these orders the average delivery drive-times for 80% of a branch's sales by value was 62 minutes with a range of 29 to 116 minutes.¹¹⁸
- (b) The Parties also provided evidence that most customers purchase from [redacted].¹¹⁹
- (c) Other suppliers also indicated that the majority of their customers are located in the area local to a branch.¹²⁰
- (d) Although both of the Parties have national price lists, discounts from these price lists are individually negotiated with customers at the branch level.¹²¹ Average discounts differ across branches,¹²² and we have received evidence that discounts are common.¹²³ Discounts are determined by a variety of factors but we have received evidence that one factor is local competition. Specifically, we have received emails showing [redacted].¹²⁴

6.11 Finally, we have considered whether there are any parameters of competition which are set uniformly across local areas and which might require consideration of a theory of harm which applies across local areas (eg which relates to all of the Parties' branches). In particular, the Parties have national price lists and policies on maximum discounts and the range of products held across branches is similar.

6.12 However, as described in paragraph 5.17 above, although the Parties have national price lists and policies on maximum discounts there is significant local discounting from these price lists indicating that price competition is primarily taking place at a local level. Additionally, although branches stock a similar

¹¹⁶ This data excludes collections.

¹¹⁷ Based on delivery orders in 2022. Lindab response to the CMA's section 109 Notice 2, 1 December 2023, question 11; and HAS-Vent response to the CMA's section 109 Notice 2, 1 December 2023, question 2.

¹¹⁸ Based on delivery orders in 2022. Lindab response to the CMA's section 109 Notice 3, 7 January 2024, question 1.

¹¹⁹ Lindab, 'Evidence on local nature of competition', 9 July 2024.

¹²⁰ One supplier told us that the vast majority of its customers are located within a 30-mile radius of each branch (Third party call note). Another supplier said that it generally sells to customers in a 50-mile radius from each branch (Third party call note). An additional supplier noted that the majority of its sales were within 50-miles of its site (Third party call note).

¹²¹ Parties' 'Evidence on local nature of competition', 9 July 2024.

¹²² Lindab response to the CMA's section 109 Notice 4, question 12, Annex 154.

¹²³ Lindab, 'Evidence on local nature of competition', 9 July 2024, page 2 and Section 3.

¹²⁴ Lindab response to the CMA's section 109 Notice 1, May 2024, question 9, Annexes 1016-1251; and Lindab response to the CMA's section 109 Notice 2, June 2024, question 17, Annexes 1270-1620.

product range, we do not consider that this is evidence that competition is taking place nationally because:

- (a) This likely reflects the need for customers located in different geographic areas to purchase a common set of products. As such, stocking this range of products is likely to be a requirement to meet customer demand and most suppliers will stock the standard and popular products.
- (b) Although the range of products may be similar, the Parties provided evidence that branches have discretion regarding the levels of product to stock and that stock levels vary across branches, indicating that decisions regarding product range are taken at a local level depending on customer demand.

6.13 We have not identified any other material parameters of competition which are set uniformly across all local areas.

6.14 In light of the above we provisionally conclude that the appropriate geographic market is local to each of the Parties' branches. The evidence we have received indicates that the precise distance over which a supplier competes varies across branches and therefore across local areas. In particular, as noted at paragraph 6.10(a), 80% delivery drive-times for Lindab branches for orders of circular ducts and fittings range from 29 to 116 minutes. Consequently, we have accounted for differences in the precise distances over which suppliers are competing when considering individual areas in more detail in our competitive assessment.

Provisional conclusion

6.15 For the reasons set out above, we provisionally conclude that the relevant markets are the supply of circular ducts and fittings in the local area for each of the Parties' branches.

7. COMPETITIVE ASSESSMENT

Introduction

- 7.1 In this section we set out our provisional assessment of the competitive effects of the Merger.
- 7.2 We considered one theory of harm in our assessment, namely whether the Merger has resulted or may be expected to result in a substantial lessening of competition due to horizontal unilateral effects in the supply of circular ducts and fittings in various local areas in England and Wales.
- 7.3 The structure of the section is as follows:
- (a) First, we consider the evidence that the Parties are close competitors in the supply of circular ducts and fittings in England and Wales.
 - (b) We then set out our approach to the local assessments including:
 - (i) the nature and sources of data and other information used in these local assessments;
 - (ii) how we have identified local areas where the Parties may compete with each other to a material extent; and
 - (iii) our approach to identifying the strength of the competitive constraint exerted by suppliers identified by the Parties as competitors in each local area.
 - (c) Finally, we set out our provisional local area assessments.

Closeness of competition

- 7.4 In this section we set out the Parties' submissions, the evidence we have received and our provisional assessment in relation to the closeness of competition between the Parties.
- 7.5 The Parties submitted that while they compete in the relevant local areas, they consider that the CMA has overstated the extent of the closeness of competition between them and that many of the features which the CMA considers to be common between the Parties do not, in fact, confer a competitive advantage on either of them and, in any event, such commonalities are shared by a range of the Parties' competitors.¹²⁵

¹²⁵ Parties' response to the CMA's Annotated Issues Statement and Working Papers, 29 July 2024, page 28.

- 7.6 We consider that the following statements taken from Lindab internal documents relating to the Merger show that Lindab considers HAS-Vent to be a close competitor in areas where the location of the Parties' branches means that they compete to supply customers in a local area:
- (a) Lindab noted that 'HAS–Vent is a direct competitor to Lindab UK with a very similar offering including own production'.¹²⁶
 - (b) Lindab described itself as having a 'similar offering, customers, and position in the UK market' to HAS-Vent and note that 'the combined Lindab and HAS-Vent business will have a stronger market position and local presence'.¹²⁷
 - (c) Lindab described HAS-Vent as a 'direct competitor to Lindab at several places' and noted that the acquisition 'would eliminate a strong competitor at several places across [the] UK and thereby strengthen our market position'.¹²⁸
 - (d) Lindab noted that the rationale for the Merger is to 'increase Lindab's market share',¹²⁹ and another document described HAS-Vent as 'number 2 or 3 in UK'.¹³⁰
- 7.7 A 2023 Lindab strategy document identified Lindab's main competitors in ducting as HAS-Vent, Storm, MAS, Ventilation Environmental Supplies Plc (**VES**), SK Sales and (unnamed) independents and Lindab has also acknowledged that it competes with HAS-Vent at a local level where they both have branches present.¹³¹
- 7.8 HAS-Vent's internal documents also show that the Parties are close competitors, in areas where they compete. Specifically, HAS-Vent branch managers prepare quarterly reports for senior management which include discussion of local competitors. HAS-Vent provided us with [REDACTED] branch reports from [REDACTED] branches mainly dated [REDACTED]. Lindab accounted for [REDACTED]% of all competitor mentions in these reports.¹³²
- 7.9 These reports also show that HAS-Vent monitors Lindab's pricing and [REDACTED]. For example:
- (a) a Liverpool branch report dated May 2023 noted that Lindab was pricing [REDACTED] in the area [REDACTED];¹³³

¹²⁶ Lindab internal document, Annex 099.

¹²⁷ Lindab internal document, Annex 119.

¹²⁸ Lindab response to the CMA's section 109 Notice 1, Annex 094, slides 2 and 4.

¹²⁹ Lindab response to the CMA's section 109 Notice 1, 12 June 2023, Annex 033, page 6.

¹³⁰ Lindab response to the CMA's section 109 Notice 1, Annex 031.

¹³¹ Lindab response to the CMA's section 109 Notice 1, Annex 049.

¹³² HAS-Vent response to the CMA's section 109 Notice 1, branch reports.

¹³³ HAS-Vent response to the CMA's section 109 Notice 1, Annex 118.

- (b) a Nottingham branch report dated December 2022 also noted that Lindab was competing on price and '[redacted]';¹³⁴ and
- (c) a Bury branch report noted that it '[redacted]'.¹³⁵ In a meeting of HAS-Vent staff, Lindab is mentioned as a competitor '[redacted]'.¹³⁶

7.10 The above evidence from the Parties' internal documents is consistent with evidence from third parties, for example:

- (a) 14 out of 34 Lindab customers and 13 out of 14 HAS-Vent customers identified the other as a good alternative supplier for the products purchased.¹³⁷
- (b) HAS-Vent customers identified Lindab as a good alternative supplier more frequently than any other supplier. Lindab customers mentioned Storm marginally more often than they did HAS-Vent.¹³⁸
- (c) Of the 28 competitors who provided information on their main competitors, the vast majority identified both Parties.¹³⁹

7.11 Our provisional view is that the evidence presented above consistently demonstrates that the Parties are close competitors in areas where the location of the Parties' branches means that they are competing to supply customers in a local area. In our local competitive assessments, we have considered more detailed evidence regarding the extent to which the Parties are competing in specific local areas.

Approach to the local assessment of remaining competitive constraints

7.12 In the previous chapter we set out our provisional view that competitive interaction is taking place at a local level and that the Parties are flexing their offer at a local level. Therefore, we have considered the effects of the Merger on competition in specific local areas. This section sets out the approach we have taken to the local assessment of the competitive impact of the Merger, beginning with the Parties' submissions on the appropriate approach.

Parties' submissions

7.13 The Parties proposed the following approach for local assessments:¹⁴⁰

¹³⁴ HAS-Vent response to the CMA's section 109 Notice 1, Annex 082.

¹³⁵ HAS-Vent response to the CMA's section 109 Notice 1, Annex 097.

¹³⁶ HAS-Vent response to the CMA's section 109 Notice 1, Annex 034.

¹³⁷ The responses rates for these two questions were slightly different.

¹³⁸ Third party responses to the CMA's customer RFI 1, questions 2 and 8.

¹³⁹ Third party responses to the CMA's customer RFI 1, question 8.

¹⁴⁰ Parties' response to the CMA's Annotated Issues Statement and Working Papers, 29 July 2024, pages 31-32.

- (a) **Catchment area:** the Parties use a 60-minute drivetime (an approximate match of the average Lindab branch 80% delivery area¹⁴¹ for circular ducts and fittings) to identify the geographic area in which suppliers are competing. They also use 74 and 77 minute drivetimes as a sensitivity check.
- (b) **Competitors:** the Parties have identified firms that they submit are competing to supply circular ducts and fittings and are present within the catchment areas of each of Lindab's branches and, separately, HAS-Vent's branches in areas where the Parties both have branches within a catchment area.
- (c) **Fascia counts:** the Parties have calculated the change in the number of different suppliers – or fascia – as a result of the Merger in each of these areas.

7.14 In identifying competitors (paragraph 7.13(b)) the Parties have used what they refer to as a 'Conservative competitor set' and an 'Enhanced competitor set'.¹⁴² We set out below our use of the information provided by the Parties on the location and identity of suppliers in these two sets (see paragraph 7.29).

7.15 The Parties have submitted that we should not weight competitors depending on their proximity to the Parties' branches for the following reasons:¹⁴³

- (a) The location of the customer is not fixed with installers installing ventilation systems at different construction sites within any given local area. In addition, installers themselves travel within the local area to get the best price on circular ducts and fittings.
- (b) The customers in this market are businesses and not consumers for whom the distance travelled to a supplier is critical (for example, it is not the case that customers undertake the same journey frequently or that the nature of the market indicates that proximity is inherently important).
- (c) The Parties are not aware of evidence, and it is not their practical experience, that the most proximate supplier in each local area is necessarily the strongest competitor (rather price is a particularly key element of competition).

7.16 However, we consider that the Parties' submission regarding the role of relative proximity in the local assessments is inconsistent with their submissions on the local nature competition and with the evidence we have received on this point set

¹⁴¹ The 80% delivery area for a given Lindab branch is the area defined by the shortest drivetime from the branch accounting for 80% of the value of circular ducts and fittings deliveries by the branch in 2023. The average 80% delivery area is the arithmetic average of the individual delivery areas for each Lindab branch.

¹⁴² Parties' response to the CMA's Annotated Issues Statement and Working Papers, 29 July 2024, page 32

¹⁴³ Parties' response to the CMA's Annotated Issues Statement and Working Papers, 29 July 2024, pages 33-34.

out in Chapter 5 ‘Competition to Supply Circular Ducts and Fittings’ and Chapter 6 ‘Market Definition’.

- 7.17 We consider that, given the importance of location to a customer’s choice of supplier, two suppliers located in the same conurbation are likely to be stronger competitors to each other than two suppliers located in different conurbations 50 minutes apart who happen to fall within the drivetime delivery area.
- 7.18 Therefore, in our local assessments, 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 in this area and the competitive pressure they are exerting on each other. A factor in these assessments is the location of the Parties and their competitors relative to each other (for example, whether the Parties and their competitors are located in the same or different conurbations).
- 7.19 We have also noted the Parties’ submission that we should apply a fascia count of no more than ‘4-to-3’ as this takes the business-to-business nature of this Merger into account and is consistent with the approach taken to fascia by the CMA in recent construction industry mergers.¹⁴⁴ We have not bluntly applied any such rule in this case and we do not consider this appropriate because it treats any two competitors in the catchment as providing the same competitive constraint regardless of relative proximity and size. Rather, for each of the local assessments, we have assessed the strength of the remaining competitive constraints drawing on a range of sources of information on the activities, locations and any known expansion plans of other suppliers in that area (see paragraphs 7.42 and 7.43 below for further detail).
- 7.20 Finally, the Parties’ have submitted that circular ducts and fittings are not distributed in isolation and that every distributor offers a range of other ventilation products which are regularly bought by the same customers, and in respect of which the CMA has not identified any competition concerns. Specifically, they submitted that any worsening of terms to customers in circular ducts and fittings would materially risk not only losing revenues these products, but also significant revenues from other products.¹⁴⁵
- 7.21 Our view is that this argument is inconsistent with the Parties’ submissions on product market definition in particular that it is limited to the supply of circular ducts and fittings. In addition, the Parties have not provided any evidence or analysis, for example, in relation to the materiality of this constraint to support this argument and it is inconsistent with the Lindab strategy document discussed at paragraph 7.7 which specifically identifies different competitors for different types of product.

¹⁴⁴ Parties’ response to the CMA’s Annotated Issues Statement and Working Papers, 29 July 2024, page 34.

¹⁴⁵ Parties’ response to the CMA’s Annotated Issues Statement and Working Papers, 29 July 2024, page 5.

Our approach

7.22 In the paragraphs below we describe first the sources and types of evidence we have used in carrying out the local assessment, and then the analysis undertaken for each local area.

Sources and types of evidence

7.23 The Parties provided five sources of information which have been used as the basis of our local assessments:

- (a) **Competitors:** lists of suppliers of circular ducts and fittings which the Parties identified as competitors to them in England and Wales.¹⁴⁶
- (b) **Locations and drivetimes:** the location of the Parties and third party branches and the drivetimes between these branches.¹⁴⁷
- (c) **Orders and drivetimes:** branch level data on the value, location, and drivetime distance, for Lindab, of all delivery orders containing circular ducts and fittings and, for HAS-Vent, all delivery orders. We used this data to calculate the drive-time from each branch within which 80% of its sales were delivered.¹⁴⁸
- (d) **Collections:** sales data for 2021 to 2023 for each Lindab branch, with details of delivery method (collection or delivery).¹⁴⁹ We used this data to calculate the proportion of sales that were collected by a customer from each branch in England and Wales throughout the period.¹⁵⁰
- (e) **Revenues:** for each branch, revenues from the sale of circular ducts and fittings in 2023.¹⁵¹

7.24 Our assessment was also informed by our analysis of the internal documents provided by the Parties. Specifically, HAS Vent provided us with [REDACTED] quarterly branch reports from ten branches mainly dated to [REDACTED]. We looked at the frequency

¹⁴⁶ Lindab response to the CMA's section 109 Notice 1, 23 May 2024, question 2; HAS-Vent response to the CMA's section 109 Notice 1, 23 May 2024, question 2; and Parties, Annex 3 to response to the CMA's Annotated Issues Statement and Working Papers, 5 August 2024.

¹⁴⁷ Lindab response to the CMA's section 109 Notice 3, 18 June 2024, question 16.

¹⁴⁸ Lindab response to the CMA's section 109 Notice 2, 1 December 2023, question 11.; Lindab response to the CMA's section 109 Notice 3, 21 December 2023, question 1; and HAS-Vent response to the CMA's section 109 Notice 2, 1 December 2023, question 5.

¹⁴⁹ Lindab, accompanying dataset to submission titled 'Evidence on local nature of competition', 9 July 2024. Orders processed by staff at a branch without distribution facilities, and orders by customers using 'cash accounts' (ie the customer does not have an account with Lindab and therefore could not be identified), have been excluded from the dataset.

¹⁵⁰ Orders are attributed to a branch based on the location of the sales staff that processed the order.

¹⁵¹ Lindab response to the CMA's section 109 Notice 1, 23 May 2024, question 1; and HAS-Vent response to the CMA's section 109 Notice 1, 23 May 2024, question 1.

with which Lindab and other suppliers are identified as competitors in specific local areas.¹⁵²

- 7.25 Lindab also provided emails relating to [REDACTED] the period 1 April 2023 to 31 March 2024,¹⁵³ and referred in its response to the Annotated Issues Statement to emails covering the period from 8 April 2021 to 30 April 2023 and from 31 March 2024 to 23 July 2024.¹⁵⁴ We have, however, placed limited weight on these requests in the assessment of competitive market conditions in specific local areas because for any local area, there are only a small number or isolated examples of such requests and Lindab was not able to identify which orders contained circular ducts and fittings.¹⁵⁵
- 7.26 In addition, we gathered data from third party suppliers on the following:
- (a) Activities in the supply of circular ducts and fittings, including the following;
 - (i) whether they are a manufacturer and/or distributor;
 - (ii) the geographic areas that account for most of their sales and the circumstances in which they deliver further away;
 - (iii) where relevant, their main suppliers of circular duct and fittings products;
 - (iv) the types of customers they serve and who they consider to be their competitors in the supply of circular ducts and fittings.
 - (b) Revenues in the supply of circular ducts and fittings in 2023, where relevant, by branch.
 - (c) Plans for expansion including how easily they could expand their business in the supply of circular ducts and fittings, potential barriers they would face and any plans they have to expand.
- 7.27 Our analysis was also informed by evidence from the Parties' customers, by branch, on who they considered to be good alternative suppliers to the Parties.
- 7.28 We have not used our estimates of national shares of supply in the local competition assessment. We do, however, consider evidence, where available, on

¹⁵² HAS-Vent response to the CMA's section 109 Notice 1, branch reports.

¹⁵³ Lindab response to the CMA's section 109 Notice 1, 23 May 2024, question 9 (Annexes 1016-1251); and Lindab response to the CMA's s109 notice 2, 13 June 2024, question 17 (Annexes 1270-1620).

¹⁵⁴ Parties, Annex 2 to response to the CMA's Annotated Issues Statement and Working Papers, 5 August 2024, page 1.

¹⁵⁵ Lindab response to the CMA's section 109 Notice 2, June 2024, question 17. The figures reported in Chapter 5 on average discounts are based on an analysis of sales data where the Parties were able to identify sales of circular ducts and fittings.

the size of other suppliers' revenues in the sale of circular ducts and fittings relative to that of the Parties in local areas.

Approach to local assessment

7.29 In the paragraphs below we set out the approach to the local area assessment. In summary our approach is as follows:

- (a) First, we identified areas in which the location of the Parties' branches and the delivery distances for those branches indicated that the Parties may be competing with each other to a material degree;
- (b) Second, for areas where the Parties may be competing with each other to a material degree, we identified possible competitors located in the area.
- (c) Drawing on a range of sources of evidence, we then considered (i) the extent of competition lost due to the Merger in the local area and (ii) the strength of competition the Merged Entity would face from alternative suppliers in the relevant local area.

7.30 We provide further details on each of these steps below.

a) Identifying areas where the Parties may be competing to a material degree

7.31 Using the data provided by the Parties on the location of their branches and the drivetime between them, as a starting point, we identified all Lindab branches that are within a 62-minute drivetime of a HAS-Vent branch and vice versa.

7.32 The rationale for using a 62-minute drivetime is that it is the average of the 80% delivery area across all Lindab branches for orders containing circular ducts and fittings and is consistent with the evidence from third parties regarding the distances over which they deliver as discussed in Chapter 5 'Market Definition'.

7.33 We found that six Lindab branches were located more than a 62 minute drive from the nearest HAS-Vent branch. Therefore, we did not undertake a detailed assessment of these areas.

7.34 In total we identified 17 local areas (listed in paragraph 7.49) for a more detailed assessment as follows:

- (a) where Lindab and HAS-Vent branches are located in the same city or close to each other we identified a single local area centred on the Lindab branch (specifically, Birmingham, Enfield, Leeds, Nottingham, Manchester, Sheffield, Southampton and Stoke-on-Trent); and
- (b) where the Parties' branches are located in different towns or cities we centred on each of the relevant branches (specifically, Basildon, Croydon,

Gravesend, Hailsham, High Wycombe, Leicester, Liverpool, Rochester and Warrington).

b) Identifying competing suppliers in the relevant local area

- 7.35 In response to the CMA's Annotated Issues Statement and Working Papers, the Parties provided two lists of suppliers, the 'Conservative Competitor' and 'Enhanced Competitor' sets.¹⁵⁶ Using data provided by the Parties on the locations of these suppliers, as a starting point, we identified all suppliers in these lists within 62 minutes drive time of the relevant Parties' branch. If, however, the 80% delivery area for the relevant branch was greater than 62 minutes drivetime, to the extent that data was available, we extended the list of competitors to include all those within the 80% delivery area.¹⁵⁷
- 7.36 Throughout our investigation the Parties have identified a large number of alternative suppliers who they submitted compete with the Parties to supply circular ducts and fittings in various local areas. However, in many cases the Parties have provided little or no evidence to substantiate their submissions that these suppliers are material competitors to the Parties in circular ducts and fittings. Furthermore, there is evidence that some of the suppliers identified by the Parties are not competing with the Parties in the supply of circular ducts and fittings. For example, a number of suppliers identified by the Parties are no longer in operation (for example Makro Teknik and Total Ventilation Supplies),¹⁵⁸ are not based in the England and Wales (for example, Kelvent and Pro-duct),¹⁵⁹ are a customer of the Parties (for example, [X]),¹⁶⁰ or their activities are focused on the supply of other products (for example, Northern Fan Supplies Limited (**Northern Fan**) and Systemair Limited (**Systemair**)).¹⁶¹
- 7.37 Therefore, in our local assessments we have focussed on suppliers where there is positive evidence from the Parties' internal documents or from third parties that they compete with the Parties to supply circular ducts and fittings in a local area. In doing so we have placed limited weight on (a) emails from Lindab branch managers seeking approval for discounts for the reasons given above (see paragraph 7.25) and (b) isolated examples provided by the Parties of customers

¹⁵⁶ Parties' response to the CMA's Annotated Issues Statement and Working Papers, 29 July 2024, page 32.

¹⁵⁷ For each branch, the data provided by the Parties included the location of all competitors up to 84 minutes drivetime away. The 80% delivery area for the following branches is larger than 84 minutes: Birmingham (96 minutes), Hailsham (estimated 107 minutes), Manchester (116 minutes) and Sheffield (96 minutes). Lindab response to the CMA's section 109 Notice 3, 7 January 2024, question 1; and Lindab, accompanying dataset to submission titled 'Evidence on local nature of competition', 9 July 2024.

¹⁵⁸ [MAKRO TEKNIK UK LTD overview - Find and update company information - GOV.UK \(company-information.service.gov.uk\)](#) [last accessed by the CMA on 19 August 2024]; [TOTAL VENTILATION SUPPLIES LTD overview - Find and update company information - GOV.UK \(company-information.service.gov.uk\)](#) [last accessed by the CMA on 19 August 2024].

¹⁵⁹ [Contact Us | Kelvent](#) [last accessed by the CMA on 19 August 2024]; and [Contact | Pro Duct \(pro-duct.co.uk\)](#) [last accessed by the CMA on 19 August 2024].

¹⁶⁰ Third party response to the CMA's RFI.

¹⁶¹ Third party call note; and Third party response to follow-up questions.

placing orders with other suppliers because absent further information (including confirmation that the lost sales included circular ducts and fittings and the value of lost sales) such evidence does not demonstrate that a given supplier is a material competitor to the Parties in the supply of circular ducts and fittings in a given local area.

- 7.38 We consider that the following suppliers are consistently identified in internal documents provided by the Parties and by third parties as competitors to the Parties: JA Glover; MAS (now acquired by SK Sales);¹⁶² SK Sales; Storm; and VES. For example:
- (a) In a recent strategy document, Lindab listed its main competitors in ducting to be HAS-Vent, Storm, MAS, VES, SK Sales and (unnamed) independents.¹⁶³
 - (b) [REDACTED] provide further evidence that its strongest competitors, in addition to HAS-Vent, are MAS, SK Sales, Storm and VES.¹⁶⁴
 - (c) The most commonly mentioned suppliers in HAS-Vent's quarterly branch reports are Lindab (accounting for [REDACTED]% of all mentions), Storm ([REDACTED]%), SK Sales ([REDACTED]%), MAS ([REDACTED]%), and JA Glover ([REDACTED]%).¹⁶⁵
 - (d) Of the 47 customers who responded to our information request, 20 identified Storm, 11 identified SK Sales, nine identified JA Glover, seven identified MAS,¹⁶⁶ and three mentioned VES as good alternative suppliers for all or some of their recent purchase of circular ducts and fittings.¹⁶⁷
- 7.39 While the vast majority of suppliers who responded to the relevant question of our information request (24 out of 28), identified both Parties as competitors,¹⁶⁸ most of these suppliers also identified one or more of the following as main competitors: JA Glover; MAS; Mercury H.V.A.C. Distribution Limited (**Mercury**); SK Sales and/or Storm and VES.¹⁶⁹
- 7.40 In addition, we also received evidence that the following suppliers are good alternatives to the Parties in certain areas where they have a presence:
- (a) Independent Ductwork Limited (**Independent Ductwork**), located in Basingstoke, was identified as a good alternative to the Parties by three

¹⁶² [News & Events SK Sales](#), 29 July 2024 [last accessed by the CMA on 19 August 2024].

¹⁶³ Lindab response to the CMA's section 109 Notice 1, Annex 049.

¹⁶⁴ Lindab response to the CMA's section 109 Notice 1 23, May 2024, question 9 (Annexes 1016-1251); and Lindab response to the CMA's section 109 Notice 2 13, June 2024, question 17 (Annexes 1270-1620).

¹⁶⁵ HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023.

¹⁶⁶ Third party responses to the CMA's customer RFI 1, question 8.

¹⁶⁷ Third party responses to the CMA's customer RFI 1, question 8.

¹⁶⁸ Third party responses to the CMA's competitor questionnaire, question 8; Third party responses to the CMA's RFI, question 8; Third party responses to the CMA's section 109 Notice 1, question 8; Third party call notes.

¹⁶⁹ Third party responses to the CMA's competitor questionnaire, question 8; Third party responses to the CMA's RFI, question 8; Third party responses to the CMA's s109 notice 1, question 8; Third party call notes.

customers,¹⁷⁰ and is identified as a competitor in [REDACTED] HAS-Vent branch manager reports.¹⁷¹ In addition, it was identified as a main competitor by two of the suppliers mentioned above ([REDACTED] and [REDACTED]).¹⁷²

- (b) South Yorkshire Ducting Supplies Limited (**SYDS**) located in Manchester and Sheffield, was identified as a good alternative to the Parties by three customers¹⁷³ and was identified as a competitor in [REDACTED] HAS-Vent branch manager reports.¹⁷⁴ In addition, it was identified as a main competitor by Independent Ductwork.¹⁷⁵
- (c) Young's Extract Supplies Limited (**Young's**), located in Hull, London and Birmingham, was identified as a good alternative to the Parties by four customers,¹⁷⁶ and was identified as a competitor in [REDACTED] HAS-Vent branch reports.¹⁷⁷ In addition, it was identified as a competitor by Independent Ductwork.¹⁷⁸
- (d) Greenwood Hargreaves Ltd (**Greenwood**), located in Liverpool, was identified as a competitor in [REDACTED] HAS-Vent branch manager reports.¹⁷⁹
- (e) GGS Southern Limited (**GGS**), located in Hailsham, was identified as a competitor in [REDACTED] HAS-Vent branch manager reports.¹⁸⁰

7.41 We have also received evidence specific to certain local areas indicating that a supplier with a smaller presence is a competitor to the Parties in a specific local area. We have considered this evidence as necessary in our local area assessments below.

c) Assessing the extent of competition lost and remaining competitive constraints

7.42 Given the general evidence indicating that the Parties are close competitors in areas where they both compete to supply customers (see paragraph 7.4 to 7.11), we consider that the Parties are likely to be close competitors where the relevant branches are located in the same conurbation. Where this is not the case, we

¹⁷⁰ Third party responses to the CMA's customer questionnaire, 29 February 2024, question 8; and third party response to the CMA's RFI 1, 31 May 2024, question 8.

¹⁷¹ HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023, Annexes 099, 102, 103, 105, 106 and 122.

¹⁷² Third Party call notes.

¹⁷³ Third party responses to the CMA's customer questionnaire (one customer identified Vent Centre as a good alternative, which was acquired by South Yorkshire Ducting); and third party response to the CMA's RFI 1.

¹⁷⁴ The [REDACTED] reports for Leeds also identify Vent Centre as a competitor, which was acquired by South Yorkshire Ducting. HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023, Annexes 081, 082 and 107; and HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023.

¹⁷⁵ Third party call note.

¹⁷⁶ Third party responses to the CMA's RFI 1; and third party responses to the CMA's RFI 1.

¹⁷⁷ HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023, Annex 084, 125 and 127.

¹⁷⁸ Third party call note.

¹⁷⁹ HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023, Annexes 113-118.

¹⁸⁰ HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023, Annexes 102-106.

consider further what the evidence indicates about the extent to which the relevant branches are serving the same geographic areas. In particular, we look at:

- (a) the distance between the branches relative to the 80% delivery area;
- (b) whether the evidence (including the 50% drivetime delivery areas and the percentage of sales collected from the branches) suggests the markets are particularly localised; and
- (c) any relevant internal document and third party evidence.

7.43 For each of the local area assessments, we assess the strength of remaining competitive constraints within the relevant local area as follows:

- (a) First, drawing on the evidence set out above (see paragraphs 7.38 and 7.39), we identify which, if any, of Greenwood, GGS, Independent Ductwork, JA Glover, MAS, SK Sales, SYDS, Storm, Young's and VES are located within the 80% delivery area.
- (b) We then look at the evidence on the strength of competitive pressure these suppliers may be exerting on the Parties in the relevant local area. In particular:
 - (i) their location relative to the Parties including whether they have branches in the same conurbation as one or both of the Parties and their drivetimes from the Parties' branches relative to the 80% drivetime delivery area;
 - (ii) the value of their sales of circular ducts and fittings in the relevant local area (where available) compared with those of the Parties' branches; and
 - (iii) any other evidence that they may impose a material constraint on the Parties in the local area.
- (c) We then consider whether there are any other suppliers in the local area that might make a material contribution to the competitive constraint faced by the Merged Entity.
- (d) Finally, we consider any evidence of expansion plans specific to the local area.

Provisional local area assessments

7.44 In this section we set out our provisional local area assessments using the approach set out above. First, we discuss those local areas for which our provisional view is that the Lindab branches are unlikely to be serving areas also

served by HAS-Vent branches because of their distance from the nearest HAS-Vent branch.¹⁸¹ In these areas, our provisional view is that the customer bases of the Parties' branches are unlikely to overlap materially and therefore the Parties do not compete with each other to a material degree.

7.45 Second, we discuss those local areas where we provisionally consider that the Parties are competing with each other to a material degree but where there is sufficient competition remaining to prevent competition concerns from arising.

7.46 Finally, we discuss those local areas where we provisionally consider that the Parties are competing with each other to a material degree and where there is insufficient competition remaining to prevent competition concerns from arising.

Areas where the Parties do not compete with each other to a material degree

7.47 Our provisional view is that the following Lindab branches do not compete to a material degree with a HAS-Vent branch in the supply of circular ducts and fittings:

- (a) Lindab Bristol where the nearest HAS-Vent branch is in Birmingham;
- (b) Lindab Cardiff where the nearest HAS-Vent branch is in Birmingham;
- (c) Lindab Exeter where the nearest HAS-Vent branch is in Southampton;
- (d) Lindab Lincoln where the nearest HAS-Vent branch is in Nottingham;
- (e) Lindab Newcastle where the nearest HAS-Vent branch is in Leeds; and
- (f) Lindab Norwich where the nearest HAS-Vent branch is in Tottenham.

7.48 We note that, with the exception of Lincoln, for each of these Lindab branches the nearest HAS-Vent branch is located more than an 84-minute drive away and there is a closer Storm or SK Sales branch (in particular Storm Yeovil (for Cardiff, Bristol, and Exeter), Storm Norwich and Storm Newcastle). We consider, therefore, that any competitive interaction between the Parties' branches listed above (in paragraph 7.47) is unlikely to be material given the distances between them and the presence of Storm or SK Sales branches. In the case of the Lincoln branch, the nearest HAS-Vent branch is a 64-minute drive away in Nottingham and we note that we did not receive any evidence indicating that the Parties are competing with each other to a material degree in the Lincoln area.

¹⁸¹ Based on data provided by the Parties, all HAS-Vent branches are within 61-minutes drivetime of a Lindab branch.

Areas where there is material competition between the Parties but which do not give rise to competition concerns

7.49 Our provisional view is that, for the reasons set out below, while the relative locations of the Parties' branches may mean that the Parties compete with each other to a material degree, there is sufficient competition remaining from alternative suppliers in the relevant local area such that competition concerns are unlikely to arise in the supply of circular ducts and fittings in the local areas around:

- (a) **Basildon:** where the closest HAS-Vent branch to Lindab Basildon is HAS-Vent North London (see paragraph 7.547.527.50).
- (a) **Birmingham:** where Lindab has branches in Birmingham and Bilston and the closest HAS-Vent branch to each is HAS-Vent Wolverhampton (see paragraph 7.527.50).
- (b) **Croydon:** where the closest HAS-Vent branch to Lindab Croydon is HAS-Vent North London (see paragraph 7.547.50).
- (c) **Gravesend:** where the closest HAS-Vent branch to Lindab Kent (Gravesend) is HAS-Vent Rochester (see paragraph 7.567.50).
- (d) **Hailsham:** where the closest HAS-Vent branch to HAS-Vent Hailsham is Lindab Croydon (see paragraph 7.587.50).
- (e) **High Wycombe:** where the closest HAS-Vent branch to Lindab High Wycombe is HAS-Vent North London (see paragraph 7.50).
- (f) **North London:** where the closest HAS-Vent branch to Lindab Enfield is HAS-Vent Tottenham (see paragraph 7.52).
- (g) **Leeds:** where the closest HAS-Vent branch to Lindab Leeds overlaps is HAS-Vent Leeds (see paragraph 7.607.50).
- (h) **Leicester:** where the closest HAS-Vent branch to Lindab Leicester is HAS-Vent Nottingham (see paragraph 7.670).
- (i) **Liverpool:** where the closest Lindab branch to HAS-Vent Liverpool is Lindab Warrington and Manchester (see paragraph 7.630).
- (j) **Manchester:** where the closest HAS-Vent branch to Lindab Manchester is HAS-Vent Manchester (see paragraph 7.527.50).
- (k) **Rochester:** where the closest Lindab branch to HAS-Vent Rochester is Lindab Kent (Gravesend) (see paragraph 7.577.50).

- (l) **Sheffield**: where the closest HAS-Vent branch to Lindab Sheffield is HAS-Vent Leeds (see paragraph 7.670).
- (m) **Southampton**: where the closest HAS-Vent branch to Lindab Southampton is HAS-Vent Eastleigh (see paragraph 7.70).
- (n) **Warrington**: where the closest HAS-Vent branch to Lindab Warrington (Ductmann) is HAS-Vent Liverpool (see paragraph 7.637.66).

7.50 We set out our reasons for provisionally concluding that the Merger is unlikely to give rise to competition concerns in the supply of circular ducts and fittings in each of these local areas below.

Birmingham, North London and Manchester

7.51 In the Birmingham, North London and Manchester areas, we provisionally found that the Parties are likely to be close competitors because, in each of these locations, the relevant branches are located in the relevant conurbation.

7.52 We also provisionally found that the Parties are currently competing with at least three good alternative suppliers for circular ducts and fittings that are also located in the same conurbation (and inside the 80% delivery area of the Parties' relevant branch). Therefore, our provisional view is that there is sufficient remaining competition in each of these local areas such that the Merger does not give rise to competition concerns in any of these local areas:

- (a) **Birmingham** (Lindab Birmingham, Lindab Bilston, and HAS-Vent Wolverhampton) where the Parties compete with at least Storm, SK Sales, JA Glover, and VES;
- (b) **North London** (Lindab Enfield and HAS-Vent Tottenham) where the Parties compete with at least Storm, JA Glover, and MAS; and
- (c) **Manchester** (Lindab and HAS-Vent branches) where the Parties compete with at least Storm, SK Sales, and SYDS.¹⁸²

Basildon and Croydon

7.53 In the **Basildon and Croydon** areas, we provisionally found that the Parties may be competing to supply the same customers, as HAS-Vent North London is within both the Lindab Basildon and Lindab Croydon 80% delivery areas. We note, however, that while HAS-Vent North London is well within the Lindab Basildon 80% delivery area, it is on the boundary of the Lindab Croydon 80% delivery area

¹⁸² SYDS acquired Ventilation Centre in February 2024. SYDS now operates from a head office in Sheffield and a former Ventilation Centre branch in Manchester. Third party, response to follow-up questions.

indicating that the competitive interaction between Lindab Croydon and HAS Vent North London may be limited.

7.54 We also provisionally found that there are at least three good alternative suppliers located closer to one of the Parties than the Parties are to each other. Therefore, given the relative location of the Parties and other suppliers, our provisional view is that there is sufficient remaining competition in each local area such that the Merger does not give rise to competition concerns in these areas:

- (a) **Basildon** (Lindab only) where SK Sales (including MAS), Storm, and JA Glover are located closer than the nearest HAS-Vent branch in Tottenham; and
- (b) **Croydon** (Lindab only) where JA Glover, Storm, and SK Sales (including MAS) are located closer than the nearest HAS-Vent branch in Tottenham.

Gravesend and Rochester

7.55 Lindab Kent (Gravesend) and HAS-Vent Rochester are not located in the same conurbation. They are located 19 minutes drivetime from each other. There is some evidence of competitive interaction. In particular, Lindab Kent (Gravesend) is within the 50% delivery area for HAS-Vent Rochester and vice versa. In addition, [REDACTED] HAS-Vent branch reports identified Lindab as a competitor¹⁸³ and a HAS-Vent Rochester customer identified Lindab as a 'good alternative supplier'.¹⁸⁴ On this basis, our provisional view is that the Parties are close competitors in these areas.

7.56 In the **Gravesend** area, Allduct Equipment Supplies Ltd (**Allduct**) is located 12 minutes drivetime away from Lindab Kent (Gravesend). It is a single site manufacturer with sales of circular ducts and fittings of £[REDACTED] million in 2023¹⁸⁵ (compared with Lindab Kent's sales of around £[REDACTED]).¹⁸⁶ Allduct was identified by the Lindab Kent's Branch Manager as a smaller competitor.¹⁸⁷ A number of other suppliers are located at a similar distance from Lindab Kent (Gravesend) as the HAS-Vent branch in Rochester, including: MAS (19 minute drivetime away in East London) and JA Glover (21 minutes drivetime away in Rochester). Also, within the 80% delivery area, JA Glover has two other branches, one in Croydon and one in East London, and SK Sales and Storm each have a branch in Basildon. Therefore, our provisional view is that there is sufficient remaining competition in the area around Gravesend such that the Merger does not give rise to competition concerns in this area.

¹⁸³ HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023, Annexes 121-122.

¹⁸⁴ Third party response to the CMA's RFI 1.

¹⁸⁵ Third party response to the CMA's RFI 1.

¹⁸⁶ Lindab response to the CMA's s109 notice 1, 23 May 2024, question 1.

¹⁸⁷ Lindab Gravesend Branch Manager call note, 12 June 2024, paragraph 10.

7.57 In the **Rochester** area, we note that the nearest alternative supplier to HAS-Vent's Rochester branch is the JA Glover branch in Chatham (12 minutes drivetime away) and that JA Glover Chatham's sales of circular ducts and fittings were £[REDACTED] million in 2023,¹⁸⁸ compared with HAS-Vent Rochester's sales of around £[REDACTED].¹⁸⁹ Also, within the 80% delivery area, Allduct (nine minutes drivetime) and MAS (35 minutes drivetime) each have sites. Additionally, the HAS-Vent Rochester branch reports suggest that competition from MAS and JA Glover is [REDACTED].¹⁹⁰ Therefore, our provisional view is that there is sufficient remaining competition in the Rochester area such that the Merger does not give rise to competition concerns in this area.

Hailsham

7.58 The nearest Lindab branch to HAS-Vent **Hailsham** is in Croydon. While the drivetime between these branches is 61 minutes, there is evidence of competitive interaction. In particular, two HAS-Vent branch reports identified Lindab as a competitor and the HAS-Vent branch manager told us that most of its customers are in London and Southeast England and that its main competitors include Lindab.¹⁹¹ However, Storm, SK Sales, and GGS all have branches which are located nearer to HAS-Vent Hailsham than Lindab Croydon is. Therefore, our provisional view is that there is sufficient remaining competition in the area around Hailsham such that the Merger does not give rise to competition concerns in this area.

High Wycombe

7.59 The nearest HAS-Vent branch to Lindab **High Wycombe** is outside the 80% delivery area and we provisionally found that there is, therefore, unlikely to be material competitive interaction between these branches. Storm, MAS, Young's, and Independent Ductwork are located closer to Lindab High Wycombe than the nearest HAS-Vent branch in Tottenham. Therefore, given the relative location of the Parties to each other and other suppliers, our provisional view is that there is sufficient remaining competition in the area around High Wycombe such that the Merger does not give rise to competition concerns in this area.

Leeds

7.60 In the Leeds area we provisionally found that the Parties are likely to be close competitors. Both Parties have a branch located in **Leeds** and the HAS-Vent

¹⁸⁸ Third party call note.

¹⁸⁹ HAS-Vent response to the CMA's s109 notice 1, 23 May 2024, question 1.

¹⁹⁰ Namely, we note that MAS and JA Glover are identified in [REDACTED] HAS-Vent branch reports, while Lindab were identified in [REDACTED]. HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023, Annexes 119, 121 and 122.

¹⁹¹ HAS HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023, Annexes 103 and 106; HAS-Vent Branch Manager call note, 26 June 2024, paragraph 8.

Leeds branch manager reports indicate that the Parties are close competitors in the area around Leeds.¹⁹²

- 7.61 Both SK Sales and Storm also have branches in Leeds and both are mentioned in the HAS-Vent branch manager reports.¹⁹³ Therefore, we provisionally found that both SK Sales and Storm are likely to be strong competitors to the Parties in Leeds. Additionally, we note that the Lindab branch in Leeds delivers over a wide area when compared to other Lindab branches – the 80% delivery drivetime for this branch is 74 minutes.¹⁹⁴ SYDS is located in Sheffield, within this 74 minute drivetime and is identified as a competitor in several HAS-Vent branch manager reports.¹⁹⁵
- 7.62 Therefore, our provisional view is that there is sufficient remaining competition in the area around Leeds such that the Merger does not give rise to competition concerns in the Leeds area.

Liverpool and Warrington

- 7.63 The nearest Lindab branch to the HAS-Vent branch in **Liverpool** is in Warrington (on the outskirts of Manchester) within the 80% delivery area. Consistent with this, a HAS-Vent Liverpool branch report states that '[REDACTED]' and '[REDACTED]' HAS-Vent Liverpool branch reports mentioned Lindab Warrington.¹⁹⁶ However, we have also received evidence to indicate that competition from Lindab in Liverpool may be more limited. Specifically, a Lindab document discussing the Merger identified Liverpool as a 'white spot' for Lindab.¹⁹⁷ Our provisional view is that the evidence, taken in the round, indicates that Lindab Warrington is competing with HAS-Vent Liverpool.
- 7.64 However, we have received evidence that the Parties face competition from a number of other suppliers in the Liverpool area. In particular, Greenwood is located in Liverpool, and is identified '[REDACTED]' in the HAS-Vent Liverpool branch reports and is identified as '[REDACTED]' competitor.¹⁹⁸ Also Greenwood's sales in the supply of circular ducts and fittings were '[REDACTED]' in 2023¹⁹⁹ compared with HAS-Vent Liverpool branch sales of around £[REDACTED] and Lindab Warrington of £[REDACTED].²⁰⁰ Additionally, iDuct

¹⁹² Lindab is identified in '[REDACTED]' reports, '[REDACTED]'. HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023, Annexes 107, 108, 111 and 112; HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023; HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023; and HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023, Annex 112.

¹⁹³ It is noted that SK Sales was identified in '[REDACTED]' branch manager reports, while Storm was identified in '[REDACTED]'. HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023, Annexes 107, 108, 111 and 112; and HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023.

¹⁹⁴ Lindab response to the CMA's section 109 Notice 3, 7 January 2024, question 1.

¹⁹⁵ HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023, Annexes 082, 085, and 107; and HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023.

¹⁹⁶ HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023, Annexes 113-118.

¹⁹⁷ Lindab response to the CMA's section 109 Notice 1, 7 November 2023, Annex 094, slide 5.

¹⁹⁸ HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023, Annexes 113-118.

¹⁹⁹ Third party response to the CMA's RFI.

²⁰⁰ HAS-Vent response to the CMA's section 109 Notice 1, 23 May 2024, question 1; and Lindab response to the CMA's section 109 Notice 1, 23 May 2024, question 1.

Limited (**iDuct**) (also located on the outskirts of Manchester) is nearer to HAS-Vent Liverpool than Lindab Warrington is. We consider that to the extent that Lindab Warrington and Lindab Manchester (and iDuct) are competing in Liverpool, then other suppliers with branches in Manchester including Storm, SK Sales and SYDS are also likely to do so.

7.65 Therefore, our provisional view is that the Parties will continue to face competition from a range of different suppliers to supply customers in the Liverpool area. Consequently, our provisional view is that the Merger does not give rise to competition concerns in the Liverpool area.

7.66 The Parties were unable to provide information on the delivery area of Lindab **Warrington**. The nearest HAS-Vent branch is in Manchester (26 minutes drivetime away). Our provisional view is that the Parties are likely to be close competitors as Lindab Warrington is located on the outskirts of the Manchester area. However, as noted above (see paragraph 7.52), the Parties are currently competing with at least three good alternative suppliers in the Manchester area (Storm, SK Sales, and SYDS). Our provisional view, therefore, is that these alternative suppliers located in the Manchester area are likely to provide a sufficient competitive constraint on Lindab Warrington such that the Merger does not give rise to competition concerns in the Warrington area.

Leicester and Sheffield

7.67 For the Lindab branches located in **Leicester** and **Sheffield**, the nearest HAS-Vent branches are located more distantly, in Nottingham for Lindab Leicester and in Leeds for Lindab Sheffield, but they are still within the 80% delivery areas. However, Lindab also has branches in Nottingham and Leeds indicating that the customers of its branches in Leicester and Sheffield may not consider its branches (and therefore those of other suppliers including HAS-Vent) in Nottingham and Leeds to be good alternatives. As such, our view is that the competitive interaction between (a) the Lindab branches in Leicester and the HAS-Vent branch in Nottingham and (b) the Lindab branch in Sheffield and the HAS-Vent branch in Leeds is likely to be limited.

7.68 Additionally, we note that:

- (a) **Leicester:** There is also a JA Glover branch located in Leicester, close to the Lindab branch and considerably nearer than the HAS-Vent branch in Nottingham. Furthermore, to the extent that Lindab Leicester is competing with suppliers based in other conurbations in the Midlands, then SK Sales, Storm and Young's all have branches in Birmingham which are located a similar drivetime distance from the Lindab Leicester branch as the HAS-Vent Nottingham branch.

- (b) **Sheffield:** There is also a SYDS branch located in Sheffield, close to the Lindab branch and considerably closer than the HAS-Vent branch in Leeds. Furthermore, to the extent that Lindab Sheffield is competing with suppliers based in Leeds, then SK Sales and Storm also have branches in Leeds.

7.69 Our provisional view, therefore, is that the Merger does not give rise to competition concerns in the Leicester and Sheffield areas.

Southampton

7.70 Lindab has a branch in **Southampton** and HAS-Vent Eastleigh is a six-minute drive away.²⁰¹ In addition we noted the following:

- (a) A material proportion ([REDACTED]%) of sales by Lindab's branch are collections which is consistent with many of the customers of Lindab Southampton being based in Southampton itself.²⁰²
- (b) While [REDACTED] HAS-Vent branch manager report for Eastleigh notes that HAS-Vent '[REDACTED]' Lindab,²⁰³ [REDACTED] others indicate close competition with Lindab. In particular, [REDACTED] report states that [REDACTED].²⁰⁴
- (c) The Lindab branch manager identified HAS-Vent as one of two competitors.²⁰⁵
- (d) All three of the Parties' customers in Southampton who responded to our information request identified the other Party as a good alternative.²⁰⁶

7.71 Our provisional view, therefore, is that Lindab Southampton and HAS-Vent Eastleigh are close competitors.

7.72 We have also found that the Parties face competition from a number of other suppliers in the area as follows:

- (a) **Storm** opened its Romsey branch in February 2023 (13 minutes drivetime from the Lindab branch) and told us that the value of sales of circular ducts and fittings for this branch was £[REDACTED] in 2023 (compared with Lindab Southampton's sales of circular ducts fittings of around £[REDACTED] in 2023 and HAS-Vent's sales of circular ducts and fittings of around £[REDACTED] in 2023).²⁰⁷ We

²⁰¹ Lindab response to the CMA's section 109 Notice 3, 18 June 2024, question 16.

²⁰² Lindab, accompanying dataset to submission titled 'Evidence on local nature of competition', 9 July 2024.

²⁰³ HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023, Annex 100.

²⁰⁴ HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023, Annexes 099 and 101.

²⁰⁵ Lindab Branch Manager call note (Southampton), 10 June 2024, paragraph 10.

²⁰⁶ A HAS-Vent customer identified Lindab and Storm. A Lindab customer identified HAS-Vent and Storm. A Lindab customer identified HAS-Vent, Storm, and Wells Spiral Tubes. Third party responses to CMA questionnaire.

²⁰⁷ Parties' response to the CMA's Annotated Issues Statement and Working Papers, 29 July 2024, page 39; Third party response to the CMA's section 109 Notice 1; HAS-Vent response to the CMA's section 109 Notice 1, 23 May 2024, question 1; and Lindab response to the CMA's section 109 Notice 1, 23 May 2024, question 1.

note that all three customers of the Parties' Southampton branches who responded to our information request identified Storm as a good alternative.²⁰⁸ Lindab Southampton's branch manager also identified Storm and HAS-Vent as its competitors,²⁰⁹ and the Parties submitted evidence that the opening of Storm's Romsey branch [REDACTED].²¹⁰

- (b) **Independent Ductwork** is based in Basingstoke within the 80% delivery area. Independent Ductwork told us that the value of its sales of circular ducts and fittings in the Southampton area was £[REDACTED] in 2023,²¹¹ and that it currently delivers circular ducts and fittings to the Southampton area several times a week.²¹² We note, however, that the Lindab Southampton Branch Manager told us that [REDACTED].²¹³ Asked whether it would expand its business in the area if the Merger were to go ahead, Independent Ductwork said [REDACTED].²¹⁴
- (c) Duct Products Limited (now Elta-Ni Limited) (**Duct Products**) has a branch in Fareham, which is located within the 80% delivery area for Lindab Southampton. It told us that it manufactures circular ducts and fittings, [REDACTED] competes with the Parties, including in Southampton and estimated the value of its sales of circular ducts and fittings to third party distributors and installers at £[REDACTED] in 2023.²¹⁵ We note, however, that it was not identified as a competitor in the Parties' internal documents or by customers and competitors.

7.73 Our provisional view, therefore, is that the Parties would continue to face strong competition from Storm and Independent Ductwork after the Merger. In particular, we note the evidence presented by the Parties on the impact that Storm's entry has had in the Southampton area and Independent Ductwork's aim to do more work in Southampton. The presence of Duct Products in Fareham is an additional constraint on the Parties in the Southampton area. Our provisional view, therefore, is that these alternative suppliers are likely to provide a sufficient competitive constraint such that the Merger does not give rise to competition concerns in the Southampton area.

²⁰⁸ A HAS-Vent customer identified Lindab and Storm. A Lindab customer identified HAS-Vent and Storm. A Lindab customer identified HAS-Vent, Storm and Wells Spiral Tubes. Third party responses to CMA questionnaire.

²⁰⁹ Parties' response to the CMA's Annotated Issues Statement and Working Papers, 29 July 2024, page 37.

²¹⁰ Lindab Branch Manager call note (Southampton), 10 June 2024, paragraph 10.

²¹¹ Parties' response to the CMA's Annotated Issues Statement and Working Papers, 29 July 2024, pages 49-52.

²¹² Third party response to follow-up questions.

²¹³ Third party response to follow-up questions.

²¹⁴ Lindab Branch Manager call note (Southampton), 10 June 2024, paragraph 12.

²¹⁵ Third party response to follow-up questions.

Local areas where there is insufficient competition remaining to prevent an SLC

- 7.74 Our provisional view is that the Parties compete with each other to a material degree and will not face a sufficient competitive constraint from alternative suppliers to prevent the Merger from giving rise to competition concerns in the supply of circular ducts and fittings in the areas around Nottingham and around Stoke-on-Trent.
- 7.75 We discuss each of these local areas and the reasons for our provisional decisions below.

Nottingham

- 7.76 Lindab and HAS-Vent both have branches in Nottingham (13 minutes drivetime apart). The 50% delivery area for Lindab Nottingham is 23 minutes and the 80% delivery area is 44 minutes, and around [%] of sales of circular ducts and fittings are collected from the branch.²¹⁶ Revenue from the sale of circular ducts and fittings was around £[%] for Lindab Nottingham and £[%] for HAS-Vent Nottingham, in 2023.²¹⁷
- 7.77 As well as the general evidence indicating that the Parties are close competitors in areas where they both compete to supply customers in the same geographic area, we consider that the evidence demonstrates that the Parties are close competitors in Nottingham. In particular:
- (a) The Lindab and HAS-Vent branches are located near to each other in Nottingham and the Parties are the only strong suppliers of circular ducts and fittings located in Nottingham itself.
 - (b) A high proportion of sales by Lindab's branch are made within or very close to Nottingham: [%] of sales by value were collected by the customer and the 50% and 80% delivery areas²¹⁸ for Lindab Nottingham are 23 and 44 minutes respectively.²¹⁹ This is also reflected in Lindab's internal documents which note that these branches have '[%]' and '[%]'.²²⁰

²¹⁶ Lindab response to the CMA's section 109 Notice 3, 7 January 2024, question 1; and Lindab, accompanying dataset to submission titled 'Evidence on local nature of competition', 9 July 2024.

²¹⁷ Lindab response to the CMA's section 109 Notice 1, 23 May 2024, question 1; HAS-Vent response to the CMA's section 109 Notice 1, 23 May 2024, question 1.

²¹⁸ Using data provided by the Lindab, for each Lindab branch we calculated the shortest drivetime from the branch which accounted for 50% and 80% of the value of circular duct and fitting deliveries by the branch in 2023.

²¹⁹ Lindab response to the CMA's section 109 Notice 3, 7 January 2024, question 1; and Lindab, accompanying dataset to submission titled 'Evidence on local nature of competition', 9 July 2024.

²²⁰ Lindab internal document, Annex 118.

(c) HAS-Vent provided [REDACTED] quarterly branch reports for Nottingham [REDACTED]. All [REDACTED] identified Lindab as a competitor, [REDACTED] undercut [REDACTED].²²¹

(d) The HAS-Vent Branch manager identified Lindab as a main competitor.²²²

7.78 The Parties identified the following as competitors to their Nottingham branches: Northern Fans, Systemair, Midland Ventilation Supplies Limited (**Midland Ventilation**), JA Glover, SYDS,²²³ as well as a number of other suppliers (discussed collectively below at paragraph 7.85).²²⁴

7.79 Our provisional view is that while Systemair and Northern Fans both have branches in Nottingham, they are weak competitors in the supply of circular ducts and fittings. Both Northern Fan and Systemair told us that they do not actively compete with the Parties in the supply of circular ducts and fittings. In particular, Northern Fan told us that it is a customer of HAS-Vent and not a competitor, and explained that it primarily sells fans and sells only a small number of circular ducts and fittings as an add-on to function as a one-stop shop.²²⁵ Systemair told us that it does not compete with the Parties in the supply of circular ducts and fittings.²²⁶ We also note that a HAS-Vent branch report states that '[REDACTED]'.²²⁷ We note that these submissions from Northern Fan and Systemair are also consistent with the comments of the Nottingham HAS-Vent branch manager who stated that Systemair and Northern Fan are smaller competitors but 'mainly fan suppliers'.²²⁸

7.80 Our provisional view is that Midland Ventilation is a weak competitor to the Parties in the supply of circular ducts and fittings in Nottingham. Midland Ventilation is located in Leicester, a 34 minute drive away and within the 80% delivery area. The Parties have noted [REDACTED] references in a Nottingham HAS-Vent branch report: [REDACTED];²²⁹ [REDACTED].²³⁰ We do not consider these to be evidence of competition in the supply of circular ducts and fittings as the statements relate to products which are not circular ducts or fittings. In addition, a [REDACTED] states that '[REDACTED]'.²³¹ We consider this statement to be, at best, evidence of Midland Ventilation exerting a weak competitive constraint on Lindab Nottingham given the importance customers attach to reliability and the ability to supply the volumes they require in a timely

²²¹ HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023, Annexes 081-086.

²²² HAS-Vent Branch Manager call note, 26 June 2024, paragraph 8.

²²³ [REDACTED]. HAS-Vent Branch Manager call note, 26 June 2024, paragraph 8.

²²⁴ HAS-Vent noted that it has lost customer orders in Nottingham to the following suppliers: [REDACTED]. The Parties also included Youngs Extract Supplies, Spiral Ductwork Services, DW Ducting Express Services Ltd, Full Metal Fabrications Ltd, and Duct Spares in their analysis of competitors within the Nottingham area (Parties, Annex 2 to response to the CMA's Annotated Issues Statement and Working Papers, 7 August 2024; Parties' response to the CMA's Annotated Issues Statement and Working Papers, 29 July 2024; and Parties, Annex 3 to additional response to the CMA's Annotated Issues Statement and Working Papers, 5 August 2024).

²²⁵ Third party call note.

²²⁶ Third party, response to follow-up questions.

²²⁷ HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023, Annex 124; and Parties, Annex 2 to response to the CMA's Annotated Issues Statement and Working Papers, 5 August 2024, paragraph 2.9.

²²⁸ HAS-Vent Branch Manager call note, 26 June 2024, paragraph 8.

²²⁹ HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023, Annex 084.

²³⁰ HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023, Annex 082.

²³¹ HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023, Annex 083.

manner in choosing a supplier (see Chapter 5 ‘Competition to Supply Circular Ducts and Fittings’).

- 7.81 Midland Ventilation told us that it distributes circular ducts and fittings in the Midlands and North West and that the value of its sales of circular ducts and fittings in 2023 into Nottingham was £[REDACTED] (compared with Lindab Nottingham sales in 2023 of around £[REDACTED] and HAS-Vent sales of around £[REDACTED] in 2023).²³² It explained that it [REDACTED].²³³ We note that the evidence is that price is a key factor for customers in choosing a supplier (see Chapter 5 ‘Competition to supply circular ducts and fittings’). It also said that the Merged Entity would ‘[REDACTED]’.²³⁴
- 7.82 Our provisional view is that JA Glover is a weak competitor to the Parties in the supply of circular ducts and fittings in Nottingham. The nearest JA Glover branch is also located in Leicester. JA Glover has told us that sales by the Leicester branch into the Nottingham area are minimal.²³⁵ This is consistent with JA Glover not being identified as a good alternative to the Parties by any customers of the Parties’ Nottingham branches contacted by the CMA.²³⁶ Again, we also note that a HAS-Vent Nottingham branch report states that [REDACTED].²³⁷
- 7.83 Our provisional view is that SYDS is likely to provide at most a limited constraint on the Parties’ supply to customers in the Nottingham area. The nearest SYDS branch is located in Sheffield. The drive time from Nottingham to this branch is 52 minutes which is significantly further than the 80% delivery area for Lindab Nottingham of 44 minutes.²³⁸ SYDS was identified in [REDACTED] HAS-Vent Nottingham branch manager reports, although [REDACTED].²³⁹ This also contrasts with Lindab which is mentioned in [REDACTED] HAS-Vent branch manager reports and referred to as the ‘[REDACTED]’.²⁴⁰ Asked whether it delivered circular ducts and fittings to Nottingham, SYDS said it did but also indicated that [REDACTED]. In particular, it said that its deliveries in the Nottingham area dependent on where its customers’ sites are located.²⁴¹
- 7.84 Our provisional view is that Storm is likely to provide at most a limited constraint on the Parties in Nottingham. The nearest Storm branch is located in Birmingham. The drive time from Nottingham to this branch is 47 minutes which is outside the 80% delivery area for Lindab Nottingham. This is consistent with the HAS-Vent Nottingham branch manager reports which [REDACTED] mention Storm [REDACTED], identifying that [REDACTED].²⁴² Asked whether it delivered circular ducts and fittings to Nottingham

²³² Third party response to follow-up questions; Lindab response to the CMA’s section 109 Notice 1, 23 May 2024, question 1; and HAS-Vent response to the CMA’s section 109 Notice 1, 23 May 2024, question 1.

²³³ Third party response to CMA follow-up questions.

²³⁴ Third party response to CMA questionnaire.

²³⁵ Third party, response to follow-up questions.

²³⁶ Third party responses to CMA questionnaire, 31 May 2024, question 8.

²³⁷ HAS-Vent response to the CMA’s section 109 Notice 1, 7 November 2023, Annex 083, page 1.

²³⁸ Lindab response to the CMA’s section 109 Notice 3, 7 January 2024, question 1.

²³⁹ HAS-Vent response to the CMA’s section 109 Notice 1, 7 November 2023, Annexes 082 and 085.

²⁴⁰ HAS-Vent response to the CMA’s section 109 Notice 1, 7 November 2023, Annexes 081-086.

²⁴¹ Third party response to follow-up questions.

²⁴² HAS-Vent response to the CMA’s section 109 Notice 1, 7 November 2023, Annex 084.

from its Birmingham Branch, Storm said that it did about [REDACTED] and that the value of sales was around £[REDACTED] in 2023 (compared with combined sales by the Parties' Nottingham branches of over £[REDACTED] million).²⁴³ We consider that this indicates that Storm is not targeting customers in the Nottingham area.

- 7.85 The Parties also submitted that Greenmill Supply Company Limited (**Greenmill**) (located in Bedford), iDuct (located in Liverpool), Young's and VES (both located in Birmingham) are competitors to the Nottingham branch.²⁴⁴ Our provisional view is that these suppliers are not exerting a meaningful constraint on the Parties' Nottingham branches given their distance from Nottingham. We also note that the evidence submitted by the Parties is limited to [REDACTED] which are not specific to circular ducts and fitting products (see paragraph 7.25) and the isolated loss of a customer order (see paragraph 7.37).²⁴⁵ We have attributed limited weight to that evidence for the reasons stated above.
- 7.86 The Parties have also submitted that the following suppliers compete with them in the Nottingham area: Alpha Air Ventilation Supplies; Bratts Ladders; DW Ducting Supplies; Ducting Express Services; Dust Spares; Full Metal Fabrication; Impact Ducting Sales and MasterAir.²⁴⁶ However, we have not seen evidence that indicates these suppliers exert a meaningful constraint on the Parties' Nottingham branches. In particular, none of these suppliers are mentioned in any internal documents provided by the Parties, or during Branch Manager calls. Nor were any of them identified by any third party that has provided evidence to us. Furthermore, we found evidence that some of these additional suppliers are not material competitors to the Parties in the supply of circular ducts and fittings. In particular, Bratts Ladders is primarily a supplier of ladders and we have found no evidence it sold circular ducts and fittings from its website or online shop.²⁴⁷ Similarly, Impact Ducting Sales told us that it no longer competes with the Parties in the supply of circular ducts and fittings to end customers and supplies Lindab and HAS-Vent with stainless steel spiral ducts and fittings.²⁴⁸
- 7.87 The Parties also included Eliteduct Limited (**EliteDuct**) in the 'enhanced' competitor set (see paragraph 7.14).²⁴⁹ Eliteduct was also identified by the HAS-Vent Nottingham Branch Manager as a competitor but they noted that it 'mainly [supplies] rectangular products but have added circular'.²⁵⁰ EliteDuct is also a

²⁴³ Third party responses to follow-up questions. Lindab response to the CMA's section 109 Notice 1, 23 May 2024, question 1; HAS-Vent response to the CMA's section 109 Notice 1, 23 May 2024, question 1.

²⁴⁴ Parties, Annex 2 to response to the CMA's Annotated Issues Statement and Working Papers, 5 August 2024, pages 18, 19, 21, 35, 37.

²⁴⁵ Parties, Annex 2 to response to the CMA's Annotated Issues Statement and Working Papers, 7 August 2024, pages 17-19, 33-35 and 37.

²⁴⁶ Parties, Annex 2 to response to the CMA's Annotated Issues Statement and Working Papers, 5 August 2024, page 43.

²⁴⁷ [Bratts Ladders - Products](#) [last accessed by the CMA on 19 August 2024].

²⁴⁸ Third party call note.

²⁴⁹ Parties, Annex 3 to response to the CMA's Annotated Issues Statement and Working Papers, 5 August 2024.

²⁵⁰ HAS-Vent Branch Managers call note, 26 June 2024, paragraph 8.

customer of both Parties.²⁵¹ We also note that it is not mentioned in any internal documents provided by the Parties, nor was it identified by any third party who has provided evidence to us.

- 7.88 The Parties also included Metalduct (Nottingham) Limited (**Metalduct**) in the ‘enhanced’ competitor set.²⁵² Metalduct is located in Nottingham. Metalduct was also identified by the HAS-Vent Nottingham Branch Manager as competitor but they noted again that it ‘mainly [supplies] rectangular products but have added circular’.²⁵³ A Nottingham HAS-Vent branch report identified Metalduct competing on [redacted].²⁵⁴ We note that Metalduct is also a customer of both Parties.²⁵⁵ As a Lindab customer, Metalduct identified only HAS-Vent as a good alternative, and expressed concerns that if the Merger went ahead it would be forced to source products from another company that is not local resulting in higher costs and longer lead times.²⁵⁶
- 7.89 Given the above, our assessment is that the strongest competitors to the Parties’ Nottingham branches (excluding each other) in the supply of circular ducts and fittings are likely to be the JA Glover and Midland Ventilation branches located in Leicester. However, these suppliers are located a significant distance from the Parties’ branches in Nottingham and our provisional view is that they are likely to be weak competitors to the Parties’ branches in Nottingham. Asked whether, if the Merger were to go ahead, they would expect to expand their business in the Nottingham area, [redacted].²⁵⁷ We note that all other suppliers are either located significantly further away (for example, SYDS and Storm) and/or we have not received evidence to indicate that they are meaningful competitors to the Parties in Nottingham.
- 7.90 In contrast, the Parties are the only strong suppliers of circular ducts and fittings located in Nottingham itself and the evidence indicates that a high proportion of Lindab’s sales from its Nottingham branch are made to customers within or very close to Nottingham (paragraphs 7.76 and 7.77(b)7.77(b)). This indicates that the Parties are likely to be much stronger competitors to each other in the Nottingham area than alternative suppliers who are located further away and this is reflected in the HAS-Vent branch manager reports (paragraph 7.77(c)7.77(c)). In addition, we note that several of the Parties’ Nottingham branch customers expressed concerns about the Merger as follows:

²⁵¹ Third party responses to CMA questionnaire.

²⁵² Parties, Annex 3 to response to the CMA’s Annotated Issues Statement and Working Papers, 5 August 2024.

²⁵³ HAS-Vent Branch Managers call note, 26 June 2024, paragraph 8.

²⁵⁴ HAS-Vent response to the CMA’s section 109 Notice 1, 7 November 2023, Annex 085, page 1.

²⁵⁵ Third party responses to CMA questionnaire.

²⁵⁶ Third party response to CMA questionnaire.

²⁵⁷ Third party responses to follow-up questions.

- (a) One customer said that 'in Nottingham we have two suppliers, HAS Vent and Lindab' and 'concern once the[y] merger that the prices for both will increase'.²⁵⁸
- (b) Another customer said they are 'only concerned prices may go up'.²⁵⁹
- (c) Another customer said that if the Parties merge it would 'force us to use another company that's not local to us costing us more money and the lead times would be a lot longer'.²⁶⁰

7.91 Consequently, our provisional view is that, subject to our findings on countervailing factors, the Merger has resulted or may be expected to result in a substantial lessening of competition in the supply of circular ducts and fittings in the Nottingham area.

Stoke-on-Trent

7.92 Lindab and HAS-Vent both have branches in Stoke-on-Trent (three minutes drivetime apart). The 50% delivery area for Lindab Stoke-on-Trent is 15 minutes and the 80% delivery area 44 minutes, and around [X]% of sales of circular ducts and fittings are collected from the branch.²⁶¹ Revenue from the sale of circular ducts and fittings was around £[X] for Lindab Stoke-on-Trent and £[X] for HAS-Vent Stoke-on-Trent in 2023.²⁶²

7.93 As well as the general evidence indicating that the Parties are close competitors in areas where they both compete to supply customers in the same geographic area, we consider that the evidence is that the Parties are close competitors in supply of circular ducts and fittings in the Stoke-on-Trent area. In particular:

- (a) the Parties' branches are located close to each other in Stoke-on-Trent and the Parties are the only strong suppliers of circular ducts and fittings located in Stoke-on-Trent itself;
- (b) The evidence shows that a significant proportion of Lindab Stoke-on-Trent's sales are in the immediate Stoke-on-Trent area. The 50% delivery area for the Lindab branch is only a 15 minutes drivetime and [X]% of orders are

²⁵⁸ Third party response to the CMA's RFI.

²⁵⁹ Third party response to the CMA's RFI.

²⁶⁰ Third party response to the CMA's RFI.

²⁶¹ Lindab response to the CMA's section 109 Notice 3, 7 January 2024, question 1; and Lindab, accompanying dataset to submission titled 'Evidence on local nature of competition', 9 July 2024.

²⁶² Lindab response to the CMA's section 109 Notice 1, 23 May 2024, question 1; HAS-Vent response to the CMA's section 109 Notice 1, 23 May 2024, question 1.

collected.²⁶³ Supporting this, a Lindab internal document dated August 2023 states that Lindab Stoke-on-Trent has '[REDACTED]' and '[REDACTED]'.²⁶⁴

(c) [REDACTED] HAS-Vent branch reports identified Lindab as a main competitor.²⁶⁵ [REDACTED].^{266,267,268} [REDACTED].²⁶⁹

(d) The Lindab branch manager identified HAS-Vent as a main competitor.²⁷⁰

7.94 The Parties submitted that there are three other suppliers in Stoke-on-Trent itself, namely Holdsworth Ventilation Limited (**Holdsworth Ventilation**), North Staffs Ducting Supplies Limited (**North Staffs Ducting**) and Systemair.²⁷¹ The nearest other suppliers identified by the Parties are located in Birmingham and Manchester and the Lindab Stoke-on-Trent branch manager stated that Storm and SK Sales (whose nearest branches are in Birmingham) had come into the area.²⁷² The Parties also submitted that the Stoke-on-Trent HAS-Vent branch had [REDACTED] and understands that [REDACTED].²⁷³ The only other supplier identified by the Parties as a competitor in the supply of circular ducts and fittings that is located within the 80% delivery area for Lindab Stoke-on-Trent is Stearn Electric Company Limited (**H&V**).

7.95 Holdsworth Ventilation confirmed that it is a manufacturer and installer based in Stoke-on-Trent. However, asked whether it manufactures circular ducts and fittings, it said '[REDACTED]' and then only '[REDACTED]'. Asked whether they sell to distributors and/or installers they said 'no'. Also that it buys circular ducts and fittings from the Parties.²⁷⁴ We also note that while identified as a competitor in the supply of circular ducts and fittings by the Lindab Stoke-on-Trent Branch Manager,²⁷⁵ it is identified in [REDACTED] HAS-Vent Stoke-on-Trent branch report [REDACTED],²⁷⁶ and has not been identified by any third party as a competitor in the area. Therefore, we consider that the evidence is not consistent with Holdsworth Ventilation being a material competitor to the Parties in the supply of circular ducts and fittings in the Stoke-on-Trent area.

²⁶³ Lindab response to the CMA's section 109 Notice 3, 7 January 2024, question 1; and Lindab, accompanying dataset to submission titled 'Evidence on local nature of competition', 9 July 2024.

²⁶⁴ Lindab internal document, Annex 118.

²⁶⁵ HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023, Annexes 124-126; HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023; and HAS-Vent response to the CMA's section 109 Notice 1.

²⁶⁶ HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023, Annex 124, page 1.

²⁶⁷ HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023.

²⁶⁸ HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023.

²⁶⁹ HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023, Annex 125.

²⁷⁰ Lindab Branch Manager call note (Stoke-on-Trent), 11 June 2024, paragraph 11.

²⁷¹ The Lindab Stoke-on-Trent branch manager also identified Staffs Sheet Metal. However, we understand that this is the same entity as North Staffs Ducting, Lindab Branch Manager call note (Stoke-on-Trent), 11 June 2024, paragraph 11.

²⁷² Lindab Branch Manager call note (Stoke-on-Trent), 11 June 2024, paragraph 11.

²⁷³ Parties, Annex 2 to response to the CMA's Annotated Issues Statement and Working Papers, 5 August 2024, pages 19 and 20.

²⁷⁴ Third party response to the CMA's follow up questions.

²⁷⁵ Lindab Branch Manager call note (Stoke-on-Trent), 11 June 2024, paragraph 11.

²⁷⁶ HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023, Annex 125, page 1.

- 7.96 North Staffs Ducting was also identified by the Lindab Stoke-on-Trent branch manager as a competitor.²⁷⁷ North Staffs Ducting told us that it manufactures circular ducts, imports circular fittings, is based in Stoke-on-Trent and its customers are installers in the local area.²⁷⁸ It explained that it is part of the Staffs Sheet Metal business and its turnover in the sale of circular ducts and fittings is very low at around £[redacted] in 2023 (compared to Lindab Stoke-on-Trent sales of circular ducts and fittings of around £[redacted] and HAS-Vent Stoke-on-Trent sales of circular ducts and fittings of around £[redacted] in 2023).²⁷⁹ When asked whether it has plans to expand the business, it told us that [redacted].²⁸⁰ Furthermore, we have not seen any evidence in internal documents or from third parties to indicate that North Staffs Ducting exerts any meaningful constraint on the Parties' Stoke-on-Trent branches. Therefore, we consider that North Staffs Ducting is at most a weak competitor to the Parties in the supply of circular ducts and fittings in the Stoke-on-Trent area.
- 7.97 We have also not seen any evidence in internal documents or from third parties to indicate that H&V exerts any meaningful constraint on the Parties' branches in Stoke-on-Trent in the supply of circular ducts and fittings. We note that H&V describes itself as 'stocking a vast range of domestic controls, pumps & chemicals from the industry's leading manufacturers'.²⁸¹
- 7.98 As noted above (see paragraph 7.79), Systemair has told us that it does not compete with the Parties in the supply of circular ducts and fittings.²⁸²
- 7.99 The nearest SK Sales branch is located in Birmingham 52 minutes drivetime from Lindab Stoke-on-Trent and so outside the 44 minutes drivetime 80% delivery area for Lindab Stoke-on-Trent. We note that SK Sales was not identified as a main competitor by Lindab Stoke-on-Trent Branch Manager although they did say that they had been 'told that Storm and SK Sales had come into the area'.²⁸³ The only evidence submitted by the Parties suggesting some activity by SK Sales in Stoke-on-Trent is [redacted].²⁸⁴ We note that the Parties have not provided any evidence on the value of sales of circular ducts and fittings lost to SK Sales. Furthermore, we have not seen any evidence in internal documents or from third parties to indicate that SK Sales exerts any meaningful constraint on the Parties' Stoke-on-Trent branches.

²⁷⁷ Lindab Branch Manager call note (Stoke-on-Trent), 11 June 2024, paragraph 9.

²⁷⁸ Third party call note.

²⁷⁹ Third party call note; Lindab response to the CMA's section 109 Notice 1, 23 May 2024, question 1; and HAS-Vent response to the CMA's section 109 Notice 1, 23 May 2024, question 1.

²⁸⁰ Third party call note.

²⁸¹ [Home - H&V \(hav.co.uk\)](https://hav.co.uk) [last accessed by the CMA on 19 August 2024].

²⁸² Third party response to follow-up questions.

²⁸³ Lindab Branch Manager call note (Stoke-on-Trent), 11 June 2024, paragraph 9.

²⁸⁴ Parties, Annex 2 to response to the CMA's Annotated Issues Statement and Working Papers, 5 August 2024, page 13.

- 7.100 The nearest Storm branch is also located in Birmingham outside the 80% delivery area for Lindab Stoke-on-Trent. However, Storm told us that, while the distance from branch that accounts for most of its sales of circular ducts and fittings [REDACTED], it is generally within [REDACTED] miles.²⁸⁵ Storm's Birmingham branch is around 50 miles from Stoke-on-Trent. Nevertheless, the Parties have not provided any evidence of the loss of sales of circular ducts and fittings in the Stoke-on-Trent area to Storm. The Lindab Stoke-on-Trent Branch Manager only noted that he had been 'told that Storm [...] had come into the area'.²⁸⁶ We also note that there is no mention of Storm as a competitor in the Stoke-on-Trent area in the internal documents provided by the Parties and Storm was not identified as a competitor in the area by third parties.
- 7.101 **iDuct** is a single-site manufacturer of circular ducts and fittings located in Leigh (near Manchester), 49 minutes drivetime from Lindab Stoke-on-Trent and so outside the 44 minutes drivetime 80% delivery area. iDuct told us that its sales of circular ducts and fittings are mainly to sites in the North of England.²⁸⁷ The only evidence provided of iDuct competing in the Stoke-on-Trent area is Lindab stating that it [REDACTED].²⁸⁸ We have seen no further evidence in internal documents or from third parties to indicate that iDuct exerts a meaningful constraint on the Parties' Stoke-on-Trent branches.
- 7.102 More generally, we asked several suppliers of circular ducts and fittings with locations in Birmingham and Manchester (specifically [REDACTED]) whether they deliver to the Stoke-on-Trent area and, if yes, in what circumstances, how frequently and the value of sales of circular ducts and fittings. All of these suppliers confirmed that they deliver to Stoke-on-Trent in some limited circumstances only and the total value of these sales, by those suppliers who were able to provide an estimate, was less than £[REDACTED] in 2023.²⁸⁹ In particular:
- (a) [REDACTED]²⁹⁰
 - (b) [REDACTED]^{291,292}
 - (c) [REDACTED]^{293,294,295}

²⁸⁵ Third party response to the CMA's section 109 Notice.

²⁸⁶ Lindab Branch Manager call note (Stoke-on-Trent), 11 June 2024, paragraph 9.

²⁸⁷ Third party response to CMA questionnaire.

²⁸⁸ Parties, Annex 2 to response to the CMA's Annotated Issues Statement and Working Papers, 5 August 2024, page 19.

²⁸⁹ Third party responses to follow-up questions, question 1.

²⁹⁰ Third party response to follow-up questions.

²⁹¹ Third party response to follow-up questions.

²⁹² Third party response to follow-up questions.

²⁹³ Third party response to follow-up questions.

²⁹⁴ Third party response to follow-up questions.

²⁹⁵ Third party response to the CMA's RFI.

(d) [REDACTED]²⁹⁶

- 7.103 The above evidence is consistent with suppliers located in Birmingham and Manchester being a weak competitive constraint on the Parties' branches located in Stoke-on-Trent.
- 7.104 We also asked these suppliers whether, if the Merger were to go ahead, they would expect to expand their business in the Stoke-on-Trent area. None of the responses indicated they would be likely to target the Stoke-on-Trent area.
- 7.105 In summary, based on the evidence set out above, we consider that the Parties are the only strong suppliers of circular ducts and fittings located in Stoke-on-Trent itself. Other suppliers, such as SK Sales and Storm, 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 located in Stoke-on-Trent. This assessment is consistent with the statements in HAS-Vent Stoke-on-Trent's branch manager reports summarised at paragraph 7.93(c)7.93(c)).
- 7.106 Our provisional view, therefore, is that, subject to our findings on countervailing factors, the Merger has resulted or may be expected to result in a substantial lessening of competition in the supply of circular ducts and fittings in the Stoke-on-Trent area.

Summary of our provisional findings

- 7.107 Based on the evidence set out above, our provisional view is that the Parties are close competitors in areas where the location of the Parties' branches means that they are both competing to supply customers within the local area. We also provisionally find that the Merged Entity's branches in Nottingham and Stoke-on-Trent would not be sufficiently constrained by alternative suppliers, either individually or in aggregate, as to prevent competition concerns from arising.
- 7.108 Accordingly, we provisionally conclude that, subject to our findings on countervailing factors, the Merger has resulted or may be expected to result in an SLC in the supply of circular ducts and fittings in the local areas centred around (i) Nottingham and (ii) Stoke-on-Trent.

²⁹⁶ Third party response to follow-up questions.

8. COUNTERVAILING FACTORS

Introduction

- 8.1 The MAGs indicate that, in some instances, there may be countervailing factors that prevent or mitigate any SLC arising from a merger.²⁹⁷
- 8.2 There are two main countervailing factors:
- (a) the entry and/or expansion of third parties in reaction to the effects of a merger; or
 - (b) merger efficiencies.²⁹⁸

Entry and expansion

Framework of assessment

- 8.3 If effective entry and/or expansion occurs as a result of the merger and any consequent adverse effect (for example, a price rise), the effect of the merger on competition may be mitigated and the CMA might conclude that no SLC arises as a result of the merger.²⁹⁹ In assessing entry or expansion, the CMA considers whether it would be timely, likely and sufficient to prevent an SLC.³⁰⁰
- 8.4 In terms of timeliness, the MAGs state that, typically, ‘effective³⁰¹ entry within two years would be considered to be timely although, depending on the nature of the market, the CMA may consider a period of time shorter or longer than this’.³⁰² The CMA will seek to ensure that the evidence is robust when confronted with claims of entry or expansion being timely, likely, and sufficient to prevent an SLC from arising.³⁰³ It is likely to place greater weight on detailed consideration of entry or expansion and previous experience of entry and expansion (including how frequent and recent it has been).³⁰⁴
- 8.5 The CMA will consider the scale of barriers to entry and expansion. In a market characterised by low barriers to entry and/or expansion, potential entrants may

²⁹⁷ [MAGs](#), paragraph 8.1.

²⁹⁸ [MAGs](#), paragraph 8.1.

²⁹⁹ [MAGs](#), paragraph 8.28.

³⁰⁰ [MAGs](#), paragraph 8.31.

³⁰¹ Entry or expansion should be of sufficient scope and effectiveness to prevent an SLC from arising as a result of the merger ([MAGs](#), paragraph 8.37).

³⁰² [MAGs](#), paragraph 8.33.

³⁰³ [MAGs](#), paragraph 8.30.

³⁰⁴ [MAGs](#), paragraph 8.30.

nevertheless be discouraged from entering by the small size of the available market, or the credible threat of retaliation by incumbents.³⁰⁵

- 8.6 In chapter 7, we provisionally found that the Merger would result in an SLC in the supply of circular ducts and fittings in the local areas centred around (i) Nottingham and (ii) Stoke-on-Trent. Therefore, we assess in this chapter whether entry or expansion would be timely, likely and sufficient to prevent the adverse effects we have provisionally identified in the supply of circular ducts and fittings in the local areas around Nottingham and Stoke-on-Trent.
- 8.7 We have focused our assessment on barriers to entry and expansion, as this will impact the timeliness, likelihood and sufficiency of entry or expansion, as well as considering any evidence of possible entry or expansion.

Parties' views on entry and expansion

- 8.8 The Parties submitted that barriers to entry are low,³⁰⁶ as found in the Office for Fair Trading's decision in *Lindab/CCL (Lindab/CCL)*.³⁰⁷ In particular, the Parties submitted that:³⁰⁸
- (a) it is not costly to establish a branch and European importers of pressed and fabricated fittings offer favourable credit terms so that a new entrant would not need to pay for the stock upfront;
 - (b) given that both HAS-Vent and Lindab earn significant revenues from the sale of products other than circular ducts and fittings, this demonstrates that entry would be easy for distributors in adjacent markets who already have a branch, vehicles, customer contracts etc to start supplying circular ducts and fittings;
 - (c) there are no reputational or regulatory barriers. Reputation is easily gained, as demonstrated by the fact that there are numerous one-branch distributors and manufacturers. Furthermore, customers are not tied to contracts;
 - (d) circular ducts and fittings are standardised products made to European/UK standard specifications. Furthermore, barriers are low because no IP is required to manufacture ducts and fittings which are commoditised, manufacturing machines are widely available, and operators are not highly skilled;

³⁰⁵ [MAGs](#), paragraph 8.35.

³⁰⁶ [Parties' response to the Phase 2 Issues Statement](#), 19 June 2024, page 3.

³⁰⁷ See, Lindab AB/CCL Veloduct Ltd, '[OFT's decision on reference under section 33](#)' given on 31 October 2006.

³⁰⁸ [Parties' response to the Phase 2 Issues Statement](#), 19 June 2024, pages 9-10.

- (e) the pool of potential entrants is large and includes entirely new entrants, existing rectangular duct manufacturers, distributors and installers; and
- (f) if the price of circular ducts and fittings were to rise significantly, this would encourage installers to enter and this acts as an additional deterrent to existing distributors.

8.9 The Parties also submitted that it is also possible to distinguish between different types of entry and expansion, including:

- (a) existing distributors of circular ducts and fittings opening distribution branches in new areas of the country;
- (b) existing distributors of other ventilation products that do not currently supply circular ducts and fittings (such as rectangular ducts and fittings) beginning to use their existing distribution branches to supply circular ducts and fittings; and
- (c) de novo entry of suppliers without current distribution branches.³⁰⁹

8.10 We consider the Parties' submissions as part of our assessment.

Barriers to entry and expansion

8.11 We have assessed the extent to which the following factors may represent barriers to entry into and expansion in the market for the supply of circular ducts and fittings:

- (a) initial investment costs;
- (b) low margins; and
- (c) reputation, customer relationships and a good level of customer service.

Initial investment costs

Parties' and third parties' views

8.12 Lindab estimated that the cost to enter the market for the supply of circular ducts and fittings would be: (i) £[REDACTED] to open a sales branch, and, (ii) £[REDACTED] to open a manufacturing and distribution branch.³¹⁰ These estimates are based on Lindab's experience of overall operating costs for branches engaged in manufacturing and

³⁰⁹ Parties' response to the CMA's Annotated Issues Statement, 29 July 2024, page 42.

³¹⁰ Lindab's response to the CMA's RFI 1, 4 July 2024, question 1.

distribution, and solely distribution, and reflect entry costs for approximately three months of operation.

- 8.13 Lindab submitted that the entry costs provided to us are comprised of costs associated with purchasing: (i) computer and office equipment, (ii) warehouse racking, (iii) stock for resale, (iv) stock of raw materials (for a manufacturing and distribution branch only), and (v) working capital to cover rent, delivery vehicles, staff salaries, machinery (for a manufacturing and distribution branch only) and other ongoing operating costs such as forklift hire, IT connectivity, advertising, travel costs and legal and consultancy fees (see paragraphs 4(a) to 4(d) of Appendix C).
- 8.14 In the Parties' view, the cost of entry is likely to be considerably lower in circumstances where a supplier of other ventilation products uses an existing branch to begin selling circular ducts and fittings given that such a supplier is likely to already have the required infrastructure to support such entry (such as commercial vehicles and sufficient storage space). Similarly, the Parties considered that for suppliers with existing distribution branches, adding manufacturing capabilities would require only a relatively small investment to lease or finance a spiral manufacturing machine and that the other infrastructure would already be in place.³¹¹
- 8.15 Third parties (see paragraphs 9 to 12 of Appendix C) estimated that entry investment costs are in the range of:
- (a) c.£500k up to £800k for a manufacturing and distribution branch; and
 - (b) £175k (for three months of operation only) up to £1 million for a distribution branch.
- 8.16 We note that the estimates provided by Lindab (£[REDACTED] for manufacturing and distribution and £[REDACTED] for distribution) are the lowest of the range of entry costs provided to us, but the entry costs estimated by Lindab for a distribution branch do broadly tally with an estimate provided by a third party. Some of the difference may be explained by the fact that the estimates from Lindab and one third party cover a three-month period. Lindab considered that at the end of the three-month period, an entrant would be able to cover the ongoing operating costs with cash income from sales and with customers paying [REDACTED].³¹²
- 8.17 Another factor which could impact on entry costs is credit terms. We understand that favourable credit limits are often extended by Lindab's competitors [REDACTED].³¹³

³¹¹ Parties' response to the CMA's Annotated Issues Statement, 29 July 2024, pages 48-49.

³¹² Lindab's response to the CMA's RFI 1, 4 July 2024, question 1.

³¹³ Lindab Main Party Hearing transcript, page 65, lines 21-23.

- 8.18 Entry costs may also be impacted by an increasing trend in recent years which has been mentioned by the Parties and a third party of frequent rent reviews and related rent increases. See paragraphs 4(d)(i) and 10 of Appendix C.
- 8.19 As concerns staffing, the Parties submitted that entry and expansion are facilitated by the fact that there are no significant skill or staff issues to contend with. The Parties told us that it is particularly easy for an individual who has worked within a ventilation distributor or duct manufacturer for some time, to leave and set up their own business.³¹⁴ The Parties also stated that senior sales staff are regularly recruited with a view to obtaining their local contacts and customer bases and in recent years, both Lindab and HAS-Vent have lost senior sales staff and branch managers to competitors. Rather than creating a barrier to entry, the Parties considered that senior sales managers with existing customer relationships offer suppliers considering entering or expanding an opportunity to generate sales as soon as they do so.³¹⁵ We note however that at the Main Party Hearing, HAS-Vent acknowledged that recruitment is difficult in the construction industry at the moment.³¹⁶
- 8.20 Contrary to the Parties' submissions, a number of third parties told us that finding staff with the relevant experience would be challenging and would represent a barrier to entry (see paragraphs 9 to 19 of Appendix C). As noted above by Lindab, and discussed later in this chapter, staff working at local branches (particularly branch managers) hold customer relationships. Therefore, finding staff who can bring along a customer base is an important factor when considering barriers to entry.
- 8.21 Furthermore, one third party told us that it closed a local distribution branch after the branch manager resigned to join a competitor.³¹⁷ This, in addition to the Parties' submissions outlined above on recruitment of staff by competitors suggests that branch managers and sales staff are important to the operation of a branch and that competition for experienced senior staff is likely to be fierce.

Our assessment

- 8.22 While the Parties have submitted that barriers to entry are low (in line with the decision in Lindab/CCL), we note that the Lindab/CCL decision reflects market conditions at the time of the merger in 2006, which is not necessarily reflective of the market conditions today. In line with the CMA's evidenced-based approach, we

³¹⁴ Parties' submission to the CMA 'Submission 1 to the Competition and Markets Authority on Competition Analysis', 18 March 2024, page 30.

³¹⁵ Parties' response to the CMA's Annotated Issues Statement, 29 July 2024, page 50.

³¹⁶ HAS-Vent Main Party Hearing transcript, page 10, lines 17-18.

³¹⁷ Third party call note.

have assessed barriers to entry based on the evidence received and market conditions existing at the time of this Phase 2 investigation.

- 8.23 A number of suppliers have referenced entry costs as a barrier to entry. The evidence from the Parties and third parties provided a wide range of entry costs, and we note that Lindab's estimated costs of entry are at the lower end of the range although they broadly align with the costs estimated by one third party with experience of entry.
- 8.24 When considering entry and the need for a market entrant to establish itself on the basis of a competitive offering, new entrants may need to extend favourable credit terms to customers in order to gain customer loyalty. This in turn would require higher levels of working capital and would further increase the initial investment costs estimated by Lindab above.
- 8.25 In its estimates, Lindab has assumed that a branch would become self-financing within approximately three months of opening. We consider this to be optimistic. This presumes that within three months, an entrant would be able to: (i) establish its position in the market, (ii) develop a sufficiently strong customer base from which to generate sales, (iii) overcome working capital pressures associated with credit limit extensions to customers and (iv) overcome potential margin erosion caused by the need to price competitively in order to ensure successful sales following entry.
- 8.26 While the infrastructure required to enter the market and operate a manufacturing or distribution branch may not be difficult to source, the investment costs are not trivial, especially when viewed against the fairly low margins reported by Lindab and other suppliers in this market (discussed in more detail in the section below).
- 8.27 We also note that the risk of future rent increases represents both an entry cost and potentially ongoing operational costs which may increase the time taken to break even.
- 8.28 Our provisional view is that entry costs are difficult to predict and are subject to uncertainties including the time it would take for a new entrant to win sufficient customers to be able to cover its operating costs and start earning a return on its initial investment costs. In our view, these costs may exceed £500k for a typical new branch.
- 8.29 Regarding staff recruitment, a number of third parties told us that hiring staff who have the relevant expertise is a challenge and we note that one third party competitor had to close a branch after losing its branch manager to a competitor. We also note the Parties' submission on the regular recruitment of their branch manager/senior sales staff by competitors. While the Parties take the view that the ability to recruit sales staff and branch managers from a competitor would offer an opportunity for an entrant to generate sales as soon as they entered, such an

entrant would need to present an attractive proposition to induce such staff to transfer given the demand for experienced sales staff.

- 8.30 We recognise that the need to hire experienced staff (such as branch managers) would vary to some extent depending on the type of entrant concerned, and therefore would represent a lower barrier to entry in some cases, for example:
- (a) a new market entrant would need to find a branch manager (in a competitive market) with experience in the supply of circular ducts and fittings, who could bring customer relationships with them, and offer them an attractive role in order to encourage them to take the risk of transferring to a new business with no established trading history. In this example, staffing needs are likely to be a high barrier to entry; and
 - (b) for existing third parties who are active in related ventilation markets (eg a non-circular duct manufacturer or distributor), this staffing barrier is likely to be lower given that such a third party would either already have the experience required to run a local branch or would have a track record as an established business offering job security which may incentivise staff to transfer.
- 8.31 Based on the above, we conclude that initial investment costs and the recruitment of senior (branch-manager level) staff with the relevant expertise represents a barrier to entry for new entrants without existing experience in the circular duct and fittings market. However, we note that should an existing manufacturer or distributor of non-circular ducts and fittings or an existing installer (for example) wish to enter a local market for the manufacturing and/or distribution of circular ducts and fittings, the incremental cost to do so would likely be more manageable as it would require investment only in the machinery, potentially additional staff, and possibly a larger warehouse.
- 8.32 Concerning staffing, while a third party who is already active in related ventilation markets would likely have the relevant expertise to take on a branch manager role, they may not have the capacity to do so. In these circumstances, they may need to recruit staff to fulfil such a role (eg by poaching from a competitor). However, there appears to be strong competition in the market for experienced branch managers and there will inevitably be a finite number of individuals at a given point in time that could meet the requirements of such a role. Additionally, there are other barriers to entry which an entrant with prior experience in related ventilation markets would also face, as discussed below.

Margins

Parties' and third parties' views

- 8.33 Lindab told us that it does not consider that the margin on ducts and fittings is so low that this would operate as a barrier to entry.³¹⁸ We note that the HAS-Vent business has a higher operating profit margin (14% in 2022)³¹⁹ than Lindab Limited (5% in 2022)³²⁰ and that this is part of the rationale for the Merger. Lindab recognised that through the acquisition of HAS-Vent, it would [REDACTED].³²¹
- 8.34 HAS-Vent also submitted that low margins do not create a barrier to entry, as recent entry has shown.³²² At the HAS-Vent Main Party Hearing, the Parties' economic advisors commented that circular ducts and fittings are only part of HAS-Vent's business and there are other products that they are cross-selling to support their business.³²³ This point was echoed by the Parties in their response to the Annotated Issues Statement where they stated that the sale of circular ducts and fittings is in all cases accompanied by sales of other products, some of which are less commoditised and [REDACTED].³²⁴
- 8.35 HAS-Vent told us that when it assesses quotes for orders which have been lost to a third party, it would expect [REDACTED]. Furthermore, HAS-Vent told us that it has seen examples in the Southampton area with margins at [REDACTED]%. In considering how new entrants would compete for business, HAS-Vent told us that [REDACTED] would be the focus of a new market entrant, and that they would have to enter the market with [REDACTED] to develop a service level, develop a reputation and then develop a relationship.³²⁵
- 8.36 The evidence which we have gathered from third party suppliers and public sources (see paragraphs 23 to 28 of Appendix C) suggests that low margins may be a general characteristic of the market for the supply of ventilation systems which may therefore represent a barrier to entry. A third party also told us that to gain initial market share, a new entrant's margins may well need to be lower than budget in order to attract customers to a new supplier.³²⁶ The low margin nature of the market is also supported by the statutory accounts of some third parties operating in the market (see paragraphs 27 and 28 of Appendix C).

³¹⁸ Lindab's response to the CMA's section 109 Notice 3, 18 June 2024, question 7(a).

³¹⁹ CMA calculations based on HAS-Vent Limited's statutory accounts filed with Companies House for year-ended 30 September 2022.

³²⁰ CMA calculations based on Lindab Limited's statutory accounts filed with Companies House for year-ended 31 December 2022.

³²¹ Parties' submission to the CMA 'Submission 1 to the Competition and Markets Authority on Competition Analysis', 18 March 2024, page 5.

³²² HAS-Vent response to the CMA's section 109 Notice 3, 18 June 2024, question 7(a).

³²³ HAS-Vent, Main Party Hearing transcript, page 64, lines 17-22.

³²⁴ Parties' response to the CMA's Annotated Issues Statement, 29 July 2024, page 48.

³²⁵ HAS-Vent Main Party Hearing transcript, page 60, lines 20-22 and 23-25 and page 63, lines 9-12.

³²⁶ Third party response to CMA's follow-up questions.

Our assessment

- 8.37 With a turnover of £20 million in 2022, HAS-Vent's operating profit was reported as £2.9 million.³²⁷ Lindab UK's turnover in the same year was much higher at £66 million, but with an operating profit of only £3.5 million.³²⁸ These figures show that while overall operating profits for the Parties do vary, Lindab UK operates with a relatively low operating profit margin overall.
- 8.38 We have considered whether entry would be attractive in the event that prices (and margins) for circular ducts and fittings were to rise post-Merger. While it is possible that increased prices would encourage entry on a short-term basis, an entrant would need to take a long-term view of its entry plans and future returns on its investment costs. Given that successful entry would result in further competition in the market, this would drive prices (and margins) back down towards pre-Merger levels. An entrant would be aware of this in deciding whether or not to enter, taking into account market prices and the related return on its investment on a long-term basis.
- 8.39 Entry on the basis of temporary higher prices would therefore be unlikely and would be unlikely to mitigate an SLC. This is in line with the MAGs, which states '[a] firm may only find it profitable to enter or expand if prices remain above pre-merger levels. Such cases of entry or expansion are unlikely to restore pre-merger prices and are unlikely to prevent an SLC from arising'.³²⁹
- 8.40 In respect of the Parties' submissions that suppliers typically sell a range of products, some of which have higher margins and that this supports their business overall, we note that the provisional SLCs which we have identified in Chapter 7 are in the supply of circular ducts and fittings. Therefore, while additional higher margin products could be offered by an entrant which may make entry more attractive, we do not consider this to be sufficient basis on which to presume that successful entry into the market for the supply of circular ducts and fittings would occur on a more long-term and sustained basis, sufficient to mitigate the provisional SLCs. The evidence also suggests that a successful entrant would need to offer a wider range of products than just circular ducts and fittings. This would represent an additional barrier to entry.
- 8.41 As we have heard from third parties and the Parties themselves, in order for an entrant to establish itself in the market following entry, it would need to compete on price. This would likely lead to further margin erosion in order for an entrant to create a strong reputation for itself and develop the customer relationships which would then follow on the basis of that reputation (discussed in detail in the section below). This is likely to make entry unattractive as it would take time to develop the

³²⁷ HAS-Vent Limited's statutory accounts filed with Companies House for year-ended 30 September 2022.

³²⁸ Lindab Limited's statutory accounts filed with Companies House for year-ended 31 December 2022.

³²⁹ [MAGs](#), paragraph 8.1.

customer base and it would take longer for an entrant to be able to recoup its investment costs if it is substantially reducing its margins to compete on price.

- 8.42 We therefore consider that low margins coupled with the initial investment costs and the need for an entrant to compete on price to win customers over, is likely to make entry unattractive for a potential new market entrant, including existing non-circular duct manufacturers/distributors and installers.

Reputation, customer relationships and good levels of customer service

Parties' and third-party views

- 8.43 Lindab submitted that customer relationships are important, and a salesperson will try to encourage customer loyalty; however, customers look for the best price and timely deliveries and customers can switch easily. Lindab also submitted that customers learn from experience whether a distributor is reliable and competitive and it is not difficult to establish a track record for good pricing, a good range of products and on-time delivery (as demonstrated by the growth of Storm).³³⁰ HAS-Vent submitted that customer relationships are important, but relationships can only be developed once a competitive offering has been agreed. However, even with a good relationship, HAS-Vent submitted that [REDACTED]. In respect of the need for a good reputation and established track record in the industry, HAS-Vent submitted that this is helpful [REDACTED].³³¹ This view was repeated by HAS-Vent during the Main Party Hearing.³³²
- 8.44 The evidence which we have gathered from third parties (see paragraphs 33 to 38) suggests that suppliers view reputation and an established track record as being important in attracting new customers and retaining existing customers (a large percentage of which are repeat customers). Furthermore, third parties consider it to be important that a good level of customer service is provided (eg fast and on time deliveries, out of hours service etc). Additionally, the existence of a good relationship between a customer and a manufacturer/distributor appears to be key in retaining customers, but is also a significant factor driving both the development of: (i) new businesses which enter the market (eg when a distributor decides to set out on its own), and (ii) existing businesses (eg where a person decides to move from one competitor to another) given that customers will typically follow a contact where they have a good and well-established supplier/customer relationship. In support of this assessment, we note that [REDACTED].³³³

³³⁰ Lindab's response to the CMA's section 109 Notice 3, 18 June 2024, question 7(c) and 7(d).

³³¹ HAS-Vent's response to the CMA's section 109 Notice 3, 18 June 2024, question 7(c) and 7(d).

³³² HAS-Vent Main Party Hearing transcript, page 62, lines 23-25 and page 63, lines 1-5.

³³³ Third party response to the CMA's section 109 Notice.

Our assessment

- 8.45 Notwithstanding the Parties' views that reputation is not a barrier to entry and can, in any event, be easily gained, the views provided by competitors indicate that reputation and an established track record can be important in attracting new customers and retaining customers. Furthermore, strong customer relationships (driven by a good level of customer service) are seen as important, and customers will likely change their supplier if their contact moves from one company to another, or sets out on their own – provided the price is right, and an equivalent level of customer service could be maintained.
- 8.46 For example, we understand that Storm (which has expanded since entering the market in 2017 and now operates from 10 branches) was established following the departure of staff from SK Sales. As explained in paragraph 37 of Appendix C, Storm estimated that [X], demonstrating the relative importance of strong personal relationships with customers in developing a competitive business.
- 8.47 Given that personal relationships between manufacturers/distributors and their customers are built over time and developed on the basis of a good level of customer service, it follows that reputation is important and would represent a barrier to entry. Should a new market entrant or existing non-circular duct distributor or manufacturer wish to enter the market, we consider that the need for an established reputation is likely to be important.
- 8.48 While a third party newly entering a local market for the supply of circular ducts and fittings may be able to drive small volumes of sales on the basis of a competitive price offering without an established reputation, it would take time to build customer loyalty and for the new entrant to develop its capability and increase sales volumes to the point where it is able to compete with the Parties locally and provide a sufficient competitive constraint.
- 8.49 Finally, as concerns the potential for entry from an existing manufacturer or distributor of non-circular ducts and fittings, we consider that such entrants would find it easier to overcome the barrier requiring an established reputation given that they may already have a reputation in an adjacent market which they would be able to leverage. An existing manufacturer or distributor of non-circular ducts and fittings may also be able to leverage their existing customer base to sell to or could attempt to recruit senior sales staff from eg a competitor, in order to transfer their contacts and customer relationships. We therefore consider the reputation/customer relationship/customer service barrier to be lower for entry from an existing player in other ventilation markets.

Provisional conclusion on barriers to entry and/or expansion

- 8.50 Our provisional conclusion is that the barriers to entry set out above would have the effect of making it challenging for a third party (who was not already active in other ventilation product markets), to enter the market for the supply of circular ducts and fittings, and to do so in a timely manner. We consider it unlikely that such an entrant could build customer loyalty, develop a strong customer service offering and relatedly, a good reputation, to develop its business to the point where it is able to compete with the Parties on a local basis within a reasonable timeframe.
- 8.51 Concerning a third-party entrant with current experience in adjacent product or geographic markets, we consider that the reputation/customer relationship and customer service barrier to entry would be lower as such an entrant would already have an established reputation in that location (albeit in an adjacent product market), or could attempt to recruit senior sales staff from a competitor. However, such an entrant would still be required to invest capital to varying degrees – depending on the type of entrant concerned and whether they intended to enter manufacturing which would require higher levels of investment due to the size of the premises needed and the machinery. Such investment may be unattractive in light of the margins that it could potentially obtain. As noted above, an entrant would need to compete on price to establish itself in the market following entry and there is more risk that it would not be able to recoup its investment costs if it is substantially reducing its margins to compete on price.
- 8.52 We also note that the markets in which we have provisionally found SLCs (ie the area around Nottingham and Stoke-on-Trent) are relatively small in size, reducing the scale of the opportunity for a new entrant relative to the costs needed to enter.

Sources of entry and/or expansion

- 8.53 This section covers sources of entry in the market for the supply of circular ducts and fittings and sets out the evidence that the Parties have provided.

Parties' views

- 8.54 The Parties submitted that the pool of potential entrants is large and that existing manufacturers can easily incorporate circular duct production into their existing facilities, as they will already have some of the machinery needed, as well as the necessary storage space, vehicle(s) and machine operators.³³⁴ As explained above, the Parties stated that it is possible to distinguish between different types of entry and expansion (eg existing distributors of circular ducts and fittings opening

³³⁴ [Parties' response to the Phase 2 Issues Statement](#), 19 June 2024, page 10.

new branches, existing distributors of other ventilation products beginning to supply circular ducts and fittings and de novo entry).³³⁵

- 8.55 The Parties provided us with 17 examples of historic entry/expansion in the market for the supply of circular ducts and fittings which they considered support their view of successful entry and expansion in the market.³³⁶ The Parties stated that this evidence shows that: (i) barriers to entry are low, (ii) there is no one particular area of England and Wales where expansion is taking place and all areas of the country have recent experience of branch openings, (iii) expansion is occurring from all types of third parties (eg multi-site, single site etc) and is occurring in manufacturing too, (iv) branch openings have taken place in all types of macroeconomic environments, and (v) the most frequent types of entry/expansion are existing suppliers of circular ducts and fittings opening distribution branches in new areas of the country and existing suppliers of non-circular ducts and fittings using their existing distribution branches to supply circular products.³³⁷

Our assessment

- 8.56 Of the 17 examples provided by the Parties representing evidence of third-party entry and expansion across all markets in England and Wales, we only have clear evidence that eight of these third parties are competing with the Parties in the supply of circular ducts and fittings in some local areas. As noted in Chapter 7, throughout our investigation the Parties have identified a large number of alternative suppliers who they submit compete with the Parties to supply circular ducts and fittings. However, in many cases the Parties have provided little or no evidence to substantiate their submissions that these suppliers are material competitors to the Parties in the supply of circular ducts and fittings.
- 8.57 Therefore, in considering the Parties' submissions on historic entry we have focussed on the following eight suppliers where there is clear evidence that the supplier is competing with the Parties in the supply of circular ducts and fittings in some local areas:
- (a) Storm – entered in 2017 and has expanded to a network of ten branches;
 - (b) L&B Ventilation Supplies Limited – entered in 2017 and has two branches;
 - (c) iDuct – previously a manufacturer of rectangular ductwork which entered in 2021 and has one manufacturing branch;

³³⁵ Parties' response to the CMA's Annotated Issues Statement, 29 July 2024, page 42.

³³⁶ Parties' submission to the CMA 'Submission 1 to the Competition and Markets Authority on Competition Analysis', 18 March 2024, pages 16 and 30-31; [Parties' response to the Phase 2 Issues Statement](#), 19 June 2024, pages 10-11; and Parties' response to the CMA's Annotated Issues Statement, 29 July 2024, pages 43-46.

³³⁷ Parties' response to the CMA's Annotated Issues Statement, 29 July 2024, pages 43 and 47.

- (d) Allduct – a general ventilation equipment supplier which entered in 2023 and has one branch;
- (e) McCulloughs Limited – previously an installer which entered with one branch;
- (f) CVK Ductwork Services Limited – previously a supplier of rectangular ductwork which entered in 2016 and has one branch;
- (g) Duct & Vent Ltd - previously a supplier of rectangular ductwork and which entered in the last five years with one branch; and
- (h) Greenmill – previously an air conditioning distributor which entered in 2018 with one branch.

8.58 We note that six of these suppliers are existing manufacturers of non-circular vents and fittings, existing distributors/suppliers or other third parties already active in other ventilation markets in some form. This supports the Parties' views that third parties of this kind would be the most likely entrants to the market for the supply of circular ducts and fittings.

8.59 We observe however, that of the list of eight suppliers, only two have entered or expanded in the market recently in the last two years (Allduct's entry in London in 2023 and Storm's expansion in Leeds and Crawley in 2022 and Romsey in 2023). While the six other examples demonstrate that entry/expansion has occurred in the market for the supply of circular ducts and fittings across various geographic areas, this entry/expansion occurred some time ago, including as far back as 2016.

8.60 As concerns Allduct, it has entered the market recently and has done so successfully (see paragraphs 7.56 and 7.57). We consider that this example provides some evidence that entry/expansion is possible on a timely basis, although this is only one example of successful recent entry from the list of examples provided by the Parties, in one local area.

8.61 We agree with the Parties' submission that Storm has entered the market for the distribution of ducts and fittings, and moreover, has done so at scale. However, it has taken Storm seven years to establish its network of ten branches. We also note that Storm's success has, in part, been driven by [REDACTED]. Storm noted that the staff and managers which it employed [REDACTED].³³⁸ Furthermore, the example of Storm's entry into the Southampton area (see paragraph 7.72(a)) shows that after ten months of operation its sales were [REDACTED] of the smaller of the Parties' branches, and around [REDACTED]% of the Parties' combined sales, [REDACTED].

³³⁸ Third party response to the CMA's section 109 Notice.

- 8.62 While entry at a local level may be prompted in response to the Merger, we have not received any submissions or evidence from any third parties to suggest that any suppliers have firm plans in place to enter the market, and to do so in a timely manner in order to mitigate the SLCs which we have provisionally found. Furthermore, the Parties have not provided us with any evidence of a third party stating an intention and/or having firm plans to enter, in the near future, any of the local areas where we have provisionally identified an SLC in the supply of circular ducts and fittings.
- 8.63 The Parties have submitted that entry is easy, however, a number of suppliers identified by HAS-Vent as competing with them in the supply of circular ducts and fittings,³³⁹ have also exited the market or closed one or some of their branches in recent years. This is also true for HAS-Vent. For example:
- (a) HAS-Vent took the decision to close its branch in Cambridge given that [REDACTED].³⁴⁰
 - (b) Ventilation Centre was placed into receivership in January 2024 and was subsequently acquired by SYDS.³⁴¹ Out of the four locations listed on Ventilation Centre's website,³⁴² we understand that three branches have been closed, and SYDS only continued to operate the legacy Ventilation Centre Stockport branch.³⁴³
 - (c) [REDACTED].³⁴⁴
 - (d) A number of third parties have dissolved their businesses.³⁴⁵
- 8.64 Therefore, while the Parties take the view that entry and expansion is widespread, it may be the case that successful entry and expansion in the market for the supply of circular ducts and fittings is more challenging on a long-term basis.

³³⁹ HAS-Vent response to the CMA's section 109 Notice 1, 23 May 2024, question 2.

³⁴⁰ HAS-Vent Main Party Hearing transcript, page 25, lines 9-12.

³⁴¹ Third party response to the CMA's follow-up questions.

³⁴² [Trade Centre Locations - Ventilation Centre \(ventilationcentreshop.co.uk\)](https://www.ventilationcentreshop.co.uk) [last accessed by the CMA on 19 August 2024].

³⁴³ Third party response to the CMA's follow-up questions.

³⁴⁴ Third party call note.

³⁴⁵ Total Ventilation Supplies was dissolved in February 2024 following the appointment of a liquidator in 2019 ([TOTAL VENTILATION SUPPLIES LTD insolvency - Find and update company information - GOV.UK \(company-information.service.gov.uk\)](https://www.gov.uk/company-information.service.gov.uk) [last accessed by the CMA on 19 August 2024]; Makro Teknik was dissolved in 2018 ([MAKRO TEKNIK UK LTD filing history - Find and update company information - GOV.UK \(company-information.service.gov.uk\)](https://www.gov.uk/company-information.service.gov.uk) [last accessed by the CMA on 19 August 2024]; Air Movement Distribution Limited was dissolved in 2020 ([AIR MOVEMENT DISTRIBUTION LIMITED filing history - Find and update company information - GOV.UK \(company-information.service.gov.uk\)](https://www.gov.uk/company-information.service.gov.uk) [last accessed by CMA on 19 August 2024]; and Allduct Equipment Sales was dissolved in 2019 ([ALLDUCT EQUIPMENT SALES LIMITED overview - Find and update company information - GOV.UK \(company-information.service.gov.uk\)](https://www.gov.uk/company-information.service.gov.uk) [last accessed by the CMA on 19 August 2024].

- 8.65 While we have seen evidence of some plans by existing suppliers to expand (see Chapter 7), the plans are neither firm, nor documented, and there are no specific timeframes associated with the expansion goals.

Our assessment of sources of entry and/or expansion

- 8.66 We consider that the most likely source of entry to the market for the supply of circular ducts and fittings would be from an existing installer or distributor/manufacturer of non-circular ducts and fittings, or from an existing supplier of circular ducts and fittings opening a new branch in a new area.
- 8.67 Having assessed the evidence provided by the Parties, we note that two third parties have: (i) successfully entered or expanded in the market for the supply of circular ducts and fittings, (ii) have done so recently, and (iii) are considered to be competing with the Parties in the areas where they are located. In the two areas where we have provisionally found SLCs, we have not seen evidence of recent entry, nor of plans to enter or expand as a result of the Merger.
- 8.68 As a result, we do not consider that these examples provide evidence of sufficient weight to demonstrate that effective entry to both local markets where we have provisionally identified an SLC: (i) can be expected to occur on a timely basis, (ii) would be likely (given that we do not consider it is 'easy', as submitted by the Parties), and (iii) would be sufficient in order to counteract the SLCs which we have provisionally identified.

Provisional conclusion on entry and/or expansion as a countervailing factor

- 8.69 Based on the assessment set out above, we provisionally conclude that entry and/or expansion would not be timely, likely and sufficient to prevent the provisional SLCs arising from the Merger in the market for the supply of circular ducts and fittings.

Efficiencies

- 8.70 We have also considered whether there are any efficiencies arising from the Merger which could be considered a potential countervailing factor to the SLCs that we have provisionally found arise from the Merger. The details of our assessment are set out below.

Framework for assessment

- 8.71 Efficiencies arising from a merger can enhance rivalry with the result that a merger does not give rise to an SLC. In order for that to be the case, the efficiencies must:

- (a) enhance rivalry in the supply of those products where an SLC may otherwise arise;
- (b) be timely, likely and sufficient to prevent an SLC from arising;
- (c) be merger-specific; and
- (d) benefit customers in the UK.³⁴⁶

8.72 The MAGs state that merger firms who wish to make efficiency claims are encouraged to provide verifiable evidence to support their claims in line with the CMA's framework.³⁴⁷ The MAGs also note that it is for the merger firms to demonstrate that the merger will result in efficiencies and the CMA must be satisfied that the evidence shows that the above criteria are met.³⁴⁸

Parties' and third party views

- 8.73 The Parties submitted that they will be able to offer HAS-Vent customers a broader product range and [REDACTED]. Lindab customers will be offered flat, oval and Colourduct products, not currently offered by Lindab Limited and customers in Liverpool and Eastbourne will be able to more easily access Lindab products as Lindab does not currently have any branches in these locations. Further, the Parties submitted that economies of scale in purchasing are anticipated, which can be passed on to customers.³⁴⁹
- 8.74 In response to a request from us to quantify any synergies or cost/quality benefits, Lindab submitted that it hoped that additional volume discounts from third party suppliers will enable joint sourcing at an overall lower cost which would assist in offering competitive prices/discounts to customers. Furthermore, Lindab stated that HAS-Vent will have access to [REDACTED].³⁵⁰
- 8.75 In response to the same request, HAS-Vent stated that a number of synergies are envisaged, including: (i) enabling HAS Vent's access to [REDACTED], and (ii) benefits from the purchasing of [REDACTED] and economies of scale when group purchasing, which in turn, HAS-Vent believes will enable it to offer a more competitive offering to the market.³⁵¹

³⁴⁶ [MAGs](#), paragraph 8.8.

³⁴⁷ [MAGs](#), paragraph 8.7.

³⁴⁸ [MAGs](#), paragraph 8.15.

³⁴⁹ Parties' response to the CMA's section 109 Notice 1, 7 November 2023, question 35.

³⁵⁰ Lindab's response to the CMA's section 109 Notice 3, 18 June 2024, question 6.

³⁵¹ HAS-Vent response to the CMA's section 109 Notice 3, 18 June 2024, question 6.

- 8.76 On the impact of the Merger, one third party stated that the Merged Entity would have access to preferential input prices and, in turn, this could mean lower product prices.³⁵²

Our assessment

- 8.77 The Parties have not substantiated their efficiency claims with any evidence in order for us to assess the impact of any efficiencies arising from the Merger, including whether such efficiencies enhance rivalry in the market for the supply of circular ducts and fittings, or whether they qualify as relevant customer benefits under the Act, and are likely to be passed onto customers.
- 8.78 We therefore provisionally consider that the merger efficiencies submitted by Lindab would not be timely, likely, and sufficient to mitigate or prevent an SLC from arising in the market for the supply of circular ducts and fittings.

Provisional conclusion on countervailing factors

- 8.79 Based on the assessment set out in this chapter, we provisionally conclude that there are no countervailing factors arising from entry and/or expansion or Merger efficiencies that could offset the effect of the SLCs which we have provisionally identified.

³⁵² Third party call note.

9. PROVISIONAL CONCLUSION

9.1 As a result of our assessment, we have provisionally concluded that:

- (a) the completed acquisition by Lindab of HAS-Vent has resulted in the creation of an RMS; and
- (b) the creation of that RMS has resulted, or may be expected to result, in an SLC in the supply of circular ducts and fittings in the local areas around Nottingham and Stoke-on-Trent.