



DETERMINATION OF MERGER NOTIFICATION M/11/025 - LA HOLDING/LINPAC

Section 21 of the Competition Act 2002

Proposed acquisition by LA Holding B.V. of sole control of the returnable transport packaging business of Linpac Group Limited

Dated 1 September 2011

Introduction

1. On 9 August 2011, in accordance with section 18 of the Competition Act 2002 ("the Act"), the Competition Authority ("the Authority") received a notification of a proposed transaction whereby LA Holding B.V. ("LA Holding") would acquire sole control of the following companies: Linpac Materials Handling Scandinavia AB, Logtek Limited, Linpac Allibert GmbH, Linpac Allibert S.A.U., Linpac Allibert SAS, and the business and certain assets of Linpac Allibert Ltd. These companies and assets constitute the returnable transport packaging ("RTP") business of Linpac Group Limited ("Linpac").

The Undertakings Involved

LA Holding

2. LA Holding is controlled by One Equity Partners ("OEP"). OEP is a private equity firm controlled by JP Morgan Chase & Co ("JP Morgan"), a global financial services company. OEP also controls Schoeller Arca Systems Holding B.V. ("SAS") which is active in the RTP business.
3. For the year ending 31 December 2010, JP Morgan's worldwide turnover was US\$102,694 million (€77,213 million¹). JP Morgan's turnover in the State for the same period was €[...].

Linpac

4. The RTP business of Linpac is active in the development, production and sale of RTP products. RTP products are used to transport goods from factories to distributors and other end users. RTP products replace one-trip disposable transit packaging products (e.g., cardboard, film, steel or wood-based packaging products) with durable plastic containers that can be reused. The following packaging products would be classified as falling within the RTP segment: foldable large containers, pallets, beverage crates, foldable small containers, and intermediate bulk containers.
5. For the financial year ending 31 December 2010, the worldwide turnover generated by the RTP business of Linpac was €[...] of which €[...] was generated in the State.

¹ Based on an average annual exchange rate of €1 = US\$1.33 for 2010.

Rationale for the Proposed Acquisition

6. OEP submits that the proposed transaction represents an opportunity to acquire a business that is complementary to the business of SAS. In particular, the proposed transaction will enable SAS to strengthen its product offering to customers in Spain and the United Kingdom. The proposed transaction will also give SAS a manufacturing footprint in the United Kingdom.

Third Party Submissions

7. No submissions were received.

Analysis

8. There is no vertical relationship between the parties in the State. There is, however, a horizontal overlap between the parties in relation to the supply of RTP products in the State. In 2010, SAS generated turnover in the State of €[...] while the RTP business of Linpac made sales of €[...] million in the State in the same period. Given that the total size of the RTP segment in the State in 2010 was approximately €[...], SAS's turnover in 2010 represents around [0-10]% of the RTP segment in the State with the RTP business of Linpac accounting for around [15-25]%.
9. The Authority considers that the proposed transaction will not raise any competition concerns in the State for the following reasons.
10. First, the change in market share in the State following the proposed transaction will be [0-10]%. This is unlikely to result in the merged entity having the ability to permanently raise its RTP prices post-transaction.
11. Second, there are a number of credible alternative RTP suppliers active in the State including Protech ([20-30]%), Irish Box Company ([5-15]%), Ceva ([5-15]%), Bito ([0-10]%), Martin Packaging ([0-10]%), and Mailbox ([0-10]%).²
12. Third, the relevant geographic market for the supply of RTP products is likely to be wider than the State. In its determination in M/06/080 – Linpac Materials/Allibert Buckhorn, the Authority noted that RTP products are mainly sourced from Europe and are easily shipped from one destination to another at reasonable costs. In its review of the proposed transaction, the Authority has not found any evidence contradicting these views.
13. In light of the above, the Authority considers that the proposed acquisition will not raise any competition concerns in the State.

Ancillary Restraints

14. The Share Purchase Agreement contains [...] non-compete obligations on the sellers as well as obligations not to solicit employees by the sellers. The Authority considers these restrictions to be directly related and necessary to the implementation of the proposed transaction.

² These market share estimates were provided by SAS.

DETERMINATION

The Competition Authority, in accordance with section 21(2)(a) of the Competition Act, 2002, has determined that, in its opinion, the result of the proposed acquisition whereby LA Holding B.V. would acquire sole control of the returnable transport packaging business of Linpac Group Limited will not be to substantially lessen competition in markets for goods or services in the State, and accordingly, that the acquisition may be put into effect.

For the Competition Authority

Noreen Mackey

Member of the Competition Authority

Director, Mergers Division