

***Case No COMP/M.2113 -  
CINVEN / MCKECHNIE***

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**REGULATION (EEC) No 4064/89  
MERGER PROCEDURE**

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Article 6(1)(b) NON-OPPOSITION

Date: 11/09/2000

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## COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 11.09.2000

PUBLIC VERSION

MERGER PROCEDURE  
ARTICLE 6(1)(b) DECISION

To the notifying party

Dear Sirs,

**Subject: Case No COMP/M.2113 – Cinven/McKechnie**

Notification of 9 August 2000 pursuant to Article 4 of Council Regulation No 4064/89<sup>1</sup>

1. On 9 August 2000 the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EEC) No 4064/89 by which Cinven Limited, a subsidiary of Cinven Group Limited, acquires within the meaning of Article 3(1)b of the Council Regulation sole control of McKechnie plc ("McKechnie").
2. After examination of the notification, the Commission has concluded that the notified operation falls within the scope of Council Regulation (EEC) No 4064/89 and does not raise serious doubts as to its compatibility with the common market and with the EEA agreement.

### THE PARTIES

3. Cinven Limited is a limited company incorporated in England, which is itself owned by the individuals responsible for the management of the Cinven group of companies ("Cinven"). Cinven is a venture capital business, which is engaged in the provision of investment management, advice and services to a number of investment funds, including pension funds and private equity funds.
4. McKechnie is an international specialist engineering group operating in three divisions, namely aerospace, proprietary fasteners and engineered plastics.

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<sup>1</sup> OJ L 395, 30.12.89 p.1; corrigendum OJ L 257 of 21.09.90, p.13; Regulation as last amended by Regulation (EC) No 1310/97 (OJ L 180, 09.07.97, p.1, corrigendum OJ L 40, 13.02.98, p.17).

## **CONCENTRATION**

5. The operation consists of the acquisition by Cinven of McKechnie via a newly created company controlled by Cinven called BlueAzure Limited. It will be effected by means of a Scheme of Arrangement of McKechnie under section 425 of the United Kingdom Companies Act 1985. Under the Scheme, each of the McKechnie shares will be cancelled, new McKechnie shares will be issued fully paid at par to BlueAzure and McKechnie will become a wholly owned subsidiary of BlueAzure. In consideration for the cancellation of their McKechnie shares, McKechnie shareholders will receive 400 pence in cash for each share, or can elect to receive in place of some or all of the cash consideration loan notes to be issued by BlueAzure on the basis of £1 nominal of loan notes for every £1 of cash consideration.

## **COMMUNITY DIMENSION**

6. The combined aggregate world-wide turnover in 1999 of the undertakings concerned exceeds EUR 5,000 million (Cinven EUR 8,145 million, McKechnie EUR 768 million). The Community-wide turnover of both Cinven and McKechnie exceeds EUR 250 million (Cinven EUR 6,654 million, McKechnie EUR 395 million). Cinven, but not McKechnie, achieves more than two-thirds of its aggregate Community-wide turnover within one Member State (the United Kingdom). Therefore, the concentration falls within the scope of the Merger Regulation.

## **COMPETITIVE ASSESSMENT**

7. The notifying party submits that there are no affected product markets. The only sector in which some overlap is found is the moulded plastics sector. Although both McKechnie and three companies in which Cinven holds investments (Dynacast International Limited, WH Boddingtons & Co Limited and Automotive Products Group Limited) are active in this broad sector, the overlap is limited. The activities of McKechnie and these three companies in the moulded plastics sector will be explained below.
8. The plastic moulding sector is highly fragmented, with over 450 companies active in plastic moulding in the United Kingdom alone, and further competition from in-house operations. Manufacturers can and do adapt production across a broad range of product types in response to customer demand and specifications. The main constraint is the technical complexity of the moulding processes involved and size of moulding machine required.
9. Dynacast International Limited ("Dynacast") is involved in precision diecasting and thermoplastic injection mouldings across 19 countries world-wide through its SPM division. SPM manufactures injection moulded precision engineered plastic components and primarily serves the telecoms, IT and automotive sectors as well as construction and medical sectors. The majority of its sales (approximately 89%) are achieved outside Europe. Its activities in Europe are confined to one manufacturing plant in Wales, supplying telecommunications and computer customers in the United Kingdom, Ireland and Scandinavia. SPM products sold in Europe include fixed line phone sets, mobile phone handset cases and lenses and computer equipment. McKechnie manufactures a wide range of plastic components for uses within the IT, telecoms and automotive sectors. Major products in Europe currently include moulded automotive wheel trims, widgets for beer cans and fluid-handling systems. The exact scope of its range varies in

response to customer demand and specification. SPM does not currently produce the same products as McKechnie in Europe, with the exception of moulded plastic casings for computers. McKechnie's sales of such products are made primarily to customers in Scotland.

10. WH Boddingtons & Co Limited ("WHB"), a subsidiary of Helix Engineering & Distribution, is also involved in plastic injection moulding. WHB does not target particular sectors and can in principle work for any industry. Its share of the overall moulded plastics products sector in the United Kingdom is less than 1%. WHB machines are multi-purpose and can be used with a number of thermo-plastics, enabling WHB to adapt its production line to meet customer specifications. The main limitation to the work WHB can take on is the size of mould machine required - WHB has a range of injection moulding machines, but does not have equipment for very large parts. The following products currently account for approximately 80% of WHB's sales: (a) roofing ventilation products (for the building and construction industry); (b) casings for fire detectors; (c) boxes for line jacks (for clients in the telecoms industry); (d) ink sumps for industrial printing machinery; and (e) casings for flares and line throwers (within the broader safety equipment market). McKechnie does not manufacture any of these products, although it could potentially adapt its production lines to do so.
11. Tonbridge Tools, a subsidiary company of WHB, designs and manufactures precision mould tools for use in the plastics industry, primarily focusing on the requirements of WHB's plastic components manufacturing business. WHB is its most significant customer, accounting for 53% of turnover. McKechnie has a small plastic moulding tools operation through McKechnie Tool & Engineering, one of the businesses forming part of its Engineered Plastics division. However, this business is based in the United States and does not make any sales into Europe.
12. Automotive Products Group Limited ("APG") manufactures brakes, clutches and clutch actuation systems at sites in the United Kingdom, France, Italy, Germany and the USA. The plastic components which form part of these products are not manufactured by APG and are instead bought in from third-party suppliers. McKechnie makes some plastic components (including braking parts) which are used in automotive parts and systems. However, there is no direct supply relationship between McKechnie and APG.

### ***Conclusion***

13. On the basis of the above elements the Commission has concluded that no relevant product markets are affected by the proposed transaction.

### **Conclusion**

14. For the above reasons, the Commission has decided not to oppose the notified operation and to declare it compatible with the common market and with the EEA Agreement. This decision is adopted in application of Article 6(1)(b) of Council Regulation (EEC) No 4064/89.

For the Commission,