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***Case No COMP/M.5455 -
TPV / PHILIPS
BRANDED MONITORS***

Only the English text is available and authentic.

**REGULATION (EC) No 139/2004
MERGER PROCEDURE**

Article 6(1)(b) NON-OPPOSITION
Date: 26/03/2009

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 26/03/2009
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In the published version of this decision, some information has been omitted pursuant to Article 17(2) of Council Regulation (EC) No 139/2004 concerning non-disclosure of business secrets and other confidential information. The omissions are shown thus [...]. Where possible the information omitted has been replaced by ranges of figures or a general description.

PUBLIC VERSION

MERGER PROCEDURE
ARTICLE 6(1)(b) DECISION

To the notifying party:

Dear Sir/Madam,

**Subject: Case No COMP/M.5455 - TPV/ Philips Branded Monitors
Notification of 20/02/09 pursuant to Article 4 of Council Regulation
No 139/2004¹**

1. On 20 February 2009, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EC) No 139/2004 ("Merger Regulation") by which the undertaking TPV Technology Limited ("TPV", Bermuda) acquires within the meaning of Article 3(1)(b) of the Merger Regulation control of the whole of the undertaking Philips MMD – Monitors & Displays Holding BV ("Philips Holdco", The Netherlands), currently controlled by Koninklijke Philips Electronics N.V. ("Philips", The Netherlands), by way of purchase of shares.

I. THE PARTIES

2. TPV is a solutions provider in monitor display technology. TPV designs and produces a wide range of computer monitors for distribution in Asia, Europe and the United States.
3. Philips Holdco is active in the branding and distribution of computer monitors and digital public signage products.

¹ OJ L 24, 29.1.2004, p. 1.

III. CONCENTRATION

4. Pursuant to a Share Purchase Agreement signed on 19 December 2008, TPV will acquire sole control over Philips' branded IT displays and digital public signage business. Philips will create a holding company, Philips HoldCo, into which it will transfer its activities concerning the branding and distribution of PC monitors as well as its digital public signage business. The proposed transaction is linked to a past acquisition² in 2005 whereby TPV purchased Philips' OEM PC monitor business.
5. The transaction constitutes a concentration within the meaning of Article 3(1)(b) of the Merger Regulation.

IV. COMMUNITY DIMENSION

6. The undertakings concerned have a combined aggregate worldwide turnover for the year 2007 of more than EUR 5 000 million³ (TPV: [...], Philips HoldCo: [...]). Each of the undertakings has a Community-wide turnover for the year 2007 in excess of EUR 250 million (TPV: [...], Philips HoldCo: [...]). The undertakings concerned do not achieve more than two thirds of their Community-wide turnover within one and the same Member State.
7. Thus, the transaction has a Community dimension within the meaning of Article 1(2) of the Merger Regulation.

V. COMPETITIVE ASSESSMENT

A. The Relevant Product Market

8. The notifying party submits that the transaction concerns four distinct product markets: (i) the supply of computer (PC) monitors on an OEM basis; (ii) the sale of branded PC monitors; (iii) the supply of digital signage products on an OEM basis; and (iv) the sale of branded digital public signage products.
9. The market investigation generally confirmed that PC monitors and digital signage products constitute two distinct product markets, although it was also indicated that there is a limited degree of supply-side substitutability in the production between PC monitors and digital signage products. Similarly, respondents broadly agreed on the distinction between OEM and branded sales.

PC monitors

10. The Commission, in a previous case involving the same parties⁴, whereby TPV acquired Philips' business related to the OEM production and sales of monitors and flat screens, distinguished between the market for OEM PC monitors and the market for

² Case COMP/M.3693 - TPV/Philips Monitors.

³ Turnover calculated in accordance with article 5(1) of the Merger Regulation and the Commission Consolidated Jurisdictional Notice of 10 July 2007.

⁴ Case COMP/M.3693 – TPV/Philips Monitors.

branded PC monitors, the latter being downstream of the former⁵. The market investigation confirmed this broad distinction.

11. Both markets can be further differentiated according to the display technology used, namely Cathode Ray Tube (CRT) or Liquid Crystal Display (LCD) monitors. The notifying party submits that LCD monitor sales have largely outpaced CRT displays. The Commission in its previous assessments⁶ left open the possible sub-segmentation of the PC monitor markets according to the display technology used. Some respondents to the market investigation confirmed that CRT monitors can constitute a separate product market, but most respondents also noted that sales of CRT monitors are now very marginal in Europe.
12. The notifying party also submits that, in contrast to television screens, the size of the computer monitors does not represent a differentiating feature, thus all sizes should be regarded as part of the same market. The Commission in its previous decisions did not conclude as to the necessity to further distinguish PC monitors into markets according to the monitor size⁷.
13. In any event, for the purposes of the present decision, the possible further segmentation of the markets for OEM and branded PC monitors according to the display technology and/or according to the monitor size can be left open, since the proposed concentration does not raise any competition concerns under any alternative product market definition.

Digital public signage products

14. Digital signage products are electronic displays installed in public spaces, which transmit images for the purpose of entertainment, information or advertising. Customers are normally other businesses and distributors. There are no Commission precedents involving digital public signage products.
15. The notifying party, in line with the distinction applied to the PC monitor market, differentiates the market for branded digital public signage products and the market for OEM digital public signage products, which is upstream from branded digital public signage products. According to the notifying party, branded digital public signage products could be further differentiated according to customers and usage groups. Furthermore, digital public signage products could be divided into two sub-segments according to the display technology used, namely LCD and plasma.
16. The market investigation supported the view that digital public signage products constitute a distinct relevant product market, which could be further divided into OEM and branded digital public signage products.
17. In any event, for the purposes of the present decision, the possible further segmentation of the markets for OEM and branded digital public signage products according to the display technology and/or according to customer groups and usages can be left open,

⁵ Case COMP/M.3693 - TPV/Philips Monitors, paragraph 13.

⁶ Cases COMP/M.1883 - NEC/Mitsubishi and COMP/M.3693 - TPV/Philips Monitors.

⁷ Cases COMP/M.1883 - NEC/Mitsubishi and COMP/M.3693 TPV/Philips Monitors.

since the proposed concentration does not raise competition concerns under any alternative product market definition.

B. The Relevant Geographic Market

OEM PC monitors

18. The notifying party puts forward that the geographic scope of the market for OEM PC monitors is at least EEA-wide but more probably worldwide, given that large customers source their requirements from global suppliers on a global level. In the previous *TPV/Philips Monitors* case⁸, the Commission left open whether the geographic scope of this market was global or EEA-wide.
19. Some respondents to the market investigation supported the view that the market for OEM PC monitors was at least EEA-wide but probably worldwide in scope.
20. For the purpose of the present decision, it is not necessary to conclude as to whether the market for OEM PC monitors is EEA-wide or worldwide in scope, as the proposed concentration does not raise any competition concerns under any of the alternative geographic market definitions.

Branded PC monitors

21. The notifying party considers that branded PC monitor market has an EEA-wide geographic scope due to the fact that producers sell their branded monitors to distributors, which operate on an EEA scale. Other factors, such as low transportation costs, low trade barriers, global suppliers and global product standards seem to reinforce this view. The Commission, in its past decision regarding the same parties⁹, suggested that this market was narrower than the EEA and most probably national, although it left open the exact geographic market definition.
22. The market investigation remained inconclusive on this matter, as some respondents consider the market national, others consider it EEA-wide or even broader. Some respondents considered local presence in the form of sales and technical staff important, but at the same time warehouses and price lists were reported to have a regional scope in general. On the other hand, it was also indicated that prices could vary from country to country.
23. For the purpose of the present decision, it is not necessary to conclude as to whether the market for branded computer monitors is national or EEA-wide in scope, as the proposed concentration does not raise any competition concerns under any of the alternative geographic market definitions.

OEM digital public signage products

⁸ Case COMP/M.3693 TPV/Philips Monitors.

⁹ Case COMP/M.3693 TPV/Philips Monitors.

24. The notifying party takes the view that the market for OEM digital signage products, similarly to the market for OEM PC monitors, is at least EEA-wide, if not global, in scope.
25. The market investigation was inconclusive on this point, as competitors considered the market either EEA-wide or worldwide. On the other hand, from a qualitative perspective, prices are mostly seen as similar across different regions and local sale support presence is seen mainly irrelevant.
26. For the purpose of the present decision, it is not necessary to conclude as to whether the market for OEM digital public signage products is EEA-wide or worldwide in scope, as the proposed concentration does not raise any competition concerns under any of the alternative geographic market definitions.

Branded digital public signage products

27. The notifying party takes the view that this market could be at least national, as customers, typically SMEs, require dedicated local support and warranties.
28. Some respondents to the market investigation shared the view that local technical and sales staffs as well as warehouses were necessary.
29. For the purpose of the present decision, the Commission therefore considers that the market for branded digital public signage products is national in scope.

C. Competitive Assessment

30. As both TPV and Philips HoldCo are active in the market for branded PC monitors, the transaction creates a horizontal overlap only in this area (but not as regards digital public signage products where TPV is only active at the OEM level and Philips Holdco at the branded level). Furthermore, the operation creates two vertical relationships: on the one hand, TPV's activities on the market for OEM PC monitors are vertically-related to Philips HoldCo's activities on the market for branded PC monitors and, on the other hand, TPV's activities on the market for supply of OEM public signage products are vertically-related to Philips HoldCo's presence on the market for branded digital public signage products.

Horizontal assessment

31. TPV is active on the market for branded PC monitors with its own brand AOC, which creates a horizontal overlap with the Philips business to be acquired.
32. When considering separate LCD and CRT PC monitor markets, it must be noted that only TPV is active in the market for CRT PC monitors (its market share at EEA level is [10-20]%), therefore the transactions does not give rise to any horizontal overlap in this market.
33. As regards the market for LCD PC monitors, assuming an EEA-wide market, the merging parties' combined market share in 2007 amounts to [5-10]%¹⁰, while many

¹⁰ The market shares are taken from the Context report, a third party analyst specialising in the PC monitor industry, unless otherwise specified.

competitors, such as Samsung ([10-20]%), HP ([10-20]%), Dell ([10-20]%) and Acer and LG (both around [10-20]%), have considerably higher market shares.

34. Assuming national markets for LCD PC monitors, the combined market shares still remain below [10-20]% with the exception of two Member States: in Bulgaria and Slovenia the combined market shares on the market for branded LCD PC monitors are [10-20]% (TPV: [0-5]% and Philips Holdco: [10-20]%) and [10-20]% (TPV: [5-10]% and Philips Holdco: [10-20]%) respectively. In Bulgaria, the proposed concentration will only give rise to a small increment in market share. Furthermore, both the Bulgarian and Slovenian markets for branded LCD PC monitors seem to be characterised by strong competition. In Bulgaria, the market leader is Samsung ([10-20]%) followed by the combined entity ([10-20]%), Acer ([10-20]%), Asus ([10-20]%) and LG ([10-20]%). In addition, numerous smaller players are active in this market. In Slovenia, the market situation is similar: Samsung ([20-30]%), LG ([10-20]%), HP ([5-10]%) and smaller players compete against the third ranking combined entity ([10-20]%).
35. The notifying party was not able to provide data for an overall market including CRT and LCD PC monitors, but it seems unlikely, given the small sales of CRT PC monitors in the EEA (in 2008, approximately 41 000 units sold vs. approximately 25 million LCD monitors) and the market shares in the two sub-segments, that the overall LCD and CRT branded PC monitor market could constitute an affected market.
36. The majority of respondents to the market investigation expect TPV to become more competitive through its acquisition of Philips' branded PC monitor business, by better exploiting economies of scale that could translate into an improved range of products offer and a more aggressive pricing policy. Competitors share the view that post-merger TPV will continue to face significant competitive pressure on a well populated market where LCD monitor producers have the ability to expand production very quickly.
37. It follows from the above that the proposed concentration does not give rise to any competition concerns on either the EEA market or the national markets for branded PC monitors.

Vertical assessment

PC monitors

38. TPV has a leading position for the supply of PC monitors at the OEM level ([20-30]% at the global level and around [20-30]% at the EEA level). This market is vertically linked to TPV's branded PC monitor sales (through TPV's own brand AOC) and to the Philips branded PC monitors business to be acquired.
39. As regards a potential risk of input foreclosure, the notifying party submits that the combined entity's limited market share on the downstream market (for branded LCD PC monitors, [5-10]% at the EEA level and well below [20-30]% in Bulgaria and Slovenia) would not make it profitable for TPV to stop supplying other competitors on the market for branded PC monitors. In addition, the combined entity would not have the ability to foreclose its competitors on the downstream market as (i) there are numerous other competitors on the upstream market for OEM PC monitors at the EEA level such as Samsung ([10-20]%), Innolux ([10-20]%) and Quisda and LG (both around [5-10]%) and a number of smaller players, and (ii) many competitors on the

downstream market are in any event vertically-integrated (for instance, LG and Samsung). The market investigation also revealed that even the well established brand that TPV is acquiring does not provide a sufficient share for TPV so as to have a negative impact on the competitive structure of the market.

40. As regards a potential risk of customer foreclosure, assuming the combined entity sourced its OEM monitors exclusively from TPV post-merger¹¹, the combined entity only accounts for [5-10]% of the market for branded LCD PC monitors at the EEA level. It is therefore unlikely that the combined entity represents a great share of the demand for OEM PC monitors and therefore a large part of the demand will remain open to other OEM competitors. Also considering downstream national markets, the market share of the combined entity will remain below [20-30]% in Bulgaria and Slovenia (see paragraph 34 above). The notifying party furthermore indicate that TPV - as other competitors - has not been exclusively sourcing from TPV's OEM arm for its branded PC monitor sales arm (under the brand AOC), but has also been using a range of other OEM producers.
41. Furthermore, the market investigation revealed that the markets for PC monitors, both upstream at the OEM level and downstream at the branded level, are characterised by the presence of numerous competitors, especially from Asia, and fast expansion.
42. It follows from the above that the proposed concentration does not raise any vertical competition concerns on the market for PC monitors.

Digital public signage products

43. Philips is currently active on the downstream market for the sale of branded digital public signage products under its own brand while TPV is an OEM supplier in the field of digital public signage products. There is therefore a vertical relationship between TPV and Philips Holdco. TPV already currently supplies Philips, among others.
44. The notifying party submits, however, that this vertical relationship does not lead to an affected market. TPV's worldwide market share on the upstream market for OEM digital public signage products is an estimated [5-10]%¹². The notifying party was not able to provide the EEA market share for TPV's OEM public signage business, but it indicated as competitors at worldwide level companies with a global presence, whose competitive constraint is likely to be exercised also at EEA level. The market investigation did not highlight any element on the basis of which the competitive landscape in the EEA could be considered different from the global one.
45. At downstream level, Philips' market share on the market for branded digital public signage products remains significantly below [20-30]% both at the EEA level ([10-20]%) and in most national markets, also when considering the possible segmentation into LCD and plasma. Only in Poland ([20-30]%) and Ireland ([20-30]%) in the LCD sub-segment does Philips have a market share above [20-30]%, but still below [20-

¹¹ The notifying party submitted that Philips has been sourcing OEM PC monitors from TPV ([...]), Quisda ([...]), Innolux ([...]) and Techview ([...]) in the past two years.

¹² Notifying party's estimates.

30]%. In addition, the notifying party estimated that Philips in 2007 purchased approximately [5-10]% of the worldwide OEM public signage products.

46. It follows from the above that the proposed concentration does not raise any vertical competition concerns on the market for digital public signage products.

Conclusion

47. In light of the above, the concentration is not likely to give rise to any competition concerns (i) neither as a result of the limited overlap between TPV's and Philips' activities on the market for branded PC monitors, whether at the EEA or national level; (ii) nor as a result of the vertical relationships between TPV's activities as an OEM supplier of PC monitors and digital public signage products and the downstream Philips branded PC monitor and digital public signage businesses to be acquired. As indicated above, respondents to the market investigation considered the transaction as generally beneficial for customers due to TPV becoming able to enrich its product offerings and because of the potential economies of scale.

VI. CONCLUSION

48. 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 the Merger Regulation.

For the Commission
(Signed by)
Margot WALLSTRÖM
Vice-President of the Commission