

***Case No COMP/M.3387 -
BC FUNDS / BAXI***

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

Article 6(1)(b) NON-OPPOSITION
Date: 11/03/2004

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 11/03/2004

SG-Greffe(2004) D/200965

In the published version of this decision, some information has been omitted pursuant to Article 17(2) of Council Regulation (EEC) No 4064/89 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 Where possible the information omitted has been replaced by ranges of figures or a general description.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

**Subject: Case No COMP/M.3387 – BC Funds / Baxi
Notification of 10.02.2004 pursuant to Article 4 of Council Regulation
No 4064/89¹**

1. On 10 February 2004, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EEC) No 4064/89 by which BC European Capital VII (1-12 and 14-17) and BC European Capital VII Top-Up (the “BC Funds”), acquire within the meaning of Article 3(1)(b) of the Council Regulation control of Baxi Group Limited and its affiliates (“Baxi”) by way of purchase of shares.
2. After examination of the notification, the Commission has concluded that the notified operation falls within the scope of the Council Regulation (EEC) No 4064/89 and does not raise serious doubts to its compatibility with the common market and with the EEA Agreement.

¹ OJ L 395, 30.12.1989 p. 1; corrigendum OJ L 257 of 21.9.1990, p. 13; Regulation as last amended by Regulation (EC) No 1310/97 (OJ L 180, 9. 7. 1997, p. 1, corrigendum OJ L 40, 13.2.1998, p. 17).

I. THE PARTIES' ACTIVITIES AND THE OPERATION

3. The proposed concentration involves the acquisition of sole control of Baxi by the BC Funds.
4. BC Funds are private equity funds [...] with CIE Management II Ltd. as general partner, who manages and controls all BC Funds. The BC Funds control a number of portfolio companies, among jointly Grohe Holding GmbH ("Grohe") [...].²
5. Grohe is a manufacturer of sanitary fittings such as faucets, showerheads and related accessories, and shower systems as well as sanitary protection products such as flushing and installation systems and water management systems.
6. Baxi is a heating products group and its product range comprises all principal types of domestic boilers and related heating products such as water heaters, showers, radiators and gas fires.

II. COMMUNITY DIMENSION

7. The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 billion³ (BC Funds, EUR [...] million; and Baxi, EUR [...] million). Each of them has a Community-wide turnover in excess of EUR 250 million (BC Funds, EUR [...] million; and Baxi EUR [...] million), but they do not achieve more than two-thirds of their aggregate Community-wide turnover within one and the same Member State. The notified operation therefore has a Community dimension.

III. COMPETITIVE ASSESSMENT

A. Relevant product markets

8. Baxi and Grohe are both active in the production and sale of shower systems in the UK and Ireland.
9. The parties have argued that showers within, at least, the UK and Ireland differ in that there are three distinct types of products within the shower category which can be defined as separate markets. These are power showers, electric showers and mixer showers.
10. Electric showers include an electric water heater together with a shower controller, power showers are shower controllers with an additional water pump, and mixer showers are more or less shower controllers used in continental Europe but modified to optimise them for low pressure water systems.
11. The question whether the relevant product market should comprise all types of showers, or be further segmented into separate products (power showers, electric showers and

² See Case No COMP/M.2397 – BC Funds / Sanitec of 06.06.2001.

³ Turnover calculated in accordance with Article 5(1) of the Merger Regulation and the Commission Notice on the calculation of turnover (OJ C66, 2.3.1998, p25). To the extent that figures include turnover for the period before 1.1.1999, they are calculated on the basis of average ECU exchange rates and translated into EUR on a one-for-one basis.

mixer showers) can be left open for the purposes of this decision, given that even on the narrowest market definition considered (that is mixer showers as a separate market, see further below), the proposed concentration would not appear to lead to competition concerns.

B. Relevant geographic markets

12. With regard to the relevant geographic market, the parties have argued that the market for showers in the UK and Ireland are different from the rest of the EEA, thereby constituting the relevant geographic market. The parties have submitted that shower systems which are designed for high pressure water systems and which are generally more prevalent in the EEA, do not work effectively in the UK and Ireland due to the prevalence of low pressure water systems in these countries.
13. The market investigation appears to support the parties' arguments concerning the low water pressure systems in the UK and Ireland and, consequently, that the types of products sold in the UK and Ireland differ from the rest of the EEA. However, for the purposes of this decision, the question whether the UK and Ireland constitute separate relevant geographic markets (or, together, form one relevant market), or whether the market is wider, can be left open, since even on the narrowest geographic market definition considered effective competition would not be significantly impeded.

C. Assessment

14. The activities of Baxi and Grohe are almost complementary in terms of products. The only product area where both Baxi and Grohe are active in is shower systems, and particularly mixer showers, in the UK and Ireland.
15. If considering a narrow market definition, i.e. a separate market for *mixer showers*, in the UK, the combined market share of Baxi and Grohe would be [20-30] % in terms of volume⁴ (Baxi [10-20] %, Grohe [5-15] %), and in Ireland [10-20] % (Baxi [5-15] %, Grohe [5-15] %). In case the geographic market was to include both the UK and Ireland, the parties' combined market share would be [20-30] % (Baxi [10-20] %, Grohe [5-15] %).
16. In a hypothetical market comprising *all showers* (including power showers, electric showers and mixer showers), the parties' combined market share would be similar: In the UK, the combined market share of Baxi and Grohe would be [15-25] % (Baxi [15-25] %, Grohe [0-10] %), in Ireland [10-20] % (Baxi [5-15] %, Grohe [0-10] %), and in a combined market including both the UK and Ireland [15-25] % (Baxi [15-25] %, Grohe [0-10] %).
17. Baxi and Grohe face competition from other competitors, in particular Mira, Masco and Triton. More particularly, in the market for *mixer showers* Mira and Masco are the biggest players and have [20-30] % and [20-30] % respectively in the UK, [20-30] % and [15-25] % in Ireland, and [20-30] % and [20-30] % in a combined market including both the UK and Ireland. In the hypothetical market comprising *all showers*, Mira and Triton are the leading players with [25-35] % and [15-25] % respectively in the UK, [30-40] % and [25-35] % in Ireland, and [25-35] % and [15-25] % in a combined market including both the UK and Ireland.

⁴ 2002 figures

18. Thus, in view of the parties' relatively limited combined market shares and given in particular the presence of strong competitors, the notified transaction is not likely to lead to competition concerns on the market for shower systems either in the UK or in Ireland or in the hypothetical market covering both countries.
19. There are no vertical relationships between Baxi and Grohe.
20. With regard to conglomerate aspects, Baxi has a market share exceeding 25% in the UK on *boilers, water heaters, gas fires, and heating spares*. Grohe has a market share exceeding 25% in *sanitary taps and mixers* in the Netherlands, Belgium, France and Austria, and for *flushing valves* in Germany, the Netherlands and Spain.
21. Among BC Funds portfolio companies, Sanitec (a Finnish company) has a market share of over 25% on *shower trays* in France and *shower screens and cubicles* in Sweden and Norway.
22. However, there appears to be no conglomerate relationship between the activities of either Baxi or Sanitec with any of the other parties to the transaction, and Grohe's activities are not related to the UK and/or Irish markets. Third parties in their replies to the Commission's questionnaires have not raised any concerns on any of these product areas.

Conclusion

23. In view of the foregoing, the Commission considers that the proposed concentration is unlikely to create or strengthen a dominant position as a result of which effective competition would be significantly impeded in the EEA or any substantial part of that area.

IV. CONCLUSION

24. 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
signed by

Mario Monti
Member of the Commission