

***Case No COMP/M.4050 -
GOLDMAN SACHS /
CINVEN / AHLSELL***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 06/01/2006

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 06.01.2006

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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 Where possible the information omitted has been replaced by ranges of figures or a general description.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 parties:

Dear Sir/Madam,

**Subject: Case No COMP/M.4050 – Goldman Sachs / Cinven / Ahlsell
Notification of 24.11.2005 pursuant to Article 4 of Council Regulation
No 139/2004¹**

1. On 24.11.2005, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EC) No 139/2004 by which the undertakings GS Capital Partners Funds belonging to the Goldman Sachs Group, Inc (“Goldman Sachs”, US) and the Cinven Group (UK) acquire within the meaning of Article 3(1)(b) of the Council Regulation joint control of the undertaking Ahlsell Group AB (“Ahlsell”, Sweden) by way of purchase of shares.

I. THE PARTIES

2. Goldman Sachs, an investment banking and securities firm, will acquire its participation in Ahlsell through several GS Capital Partners Funds. Through the latter Goldman Sachs controls several undertakings that are active in a number of markets, including Prysmian, a leading manufacturer of energy cables and telecom cables.

¹ OJ L 24, 29.1.2004 p. 1.

3. Cinven Group is a private equity investments firm. It controls, inter alia, Frans Bonhomme², a company active in the distribution of plastic pipes and fittings in France.
4. Ahlsell is a wholesale and retail distributor of installation products with operations in Sweden, Norway, Finland, Denmark and to a lesser extent in Russia. On July 2005, Ahlsell acquired the control of Nexans Distribusjon, the distribution business of the cable manufacturer Nexans in Norway, the main competitor of Prysmian in the European markets for energy cables.

II. CONCENTRATION

5. Cinven will acquire 51% of the capital shares of Ahlsell and Goldman Sachs the remaining 49%. The Shareholders' Agreement provides each party with 50% of the voting rights. Moreover the most important decisions require joint approval by the parties. Therefore Ahlsell will be jointly controlled by Cinven and Goldman Sachs.

III. COMMUNITY DIMENSION

6. The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 billion³. Each of them has a Community-wide turnover in excess of EUR 250 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.

IV. RELEVANT MARKETS

7. As a result of the vertical relationship between Prysmian and Ahlsell, the transaction affects only the markets for distribution of installation products and the upstream related markets for the supply of energy and telecommunication cables.

Distribution of installation products

8. Ahlsell is active in the wholesale distribution of installation products and in the retail distribution of installation products to professional customers, mainly in the following segments: (i) heating and plumbing, (ii) electrical, and (iii) tools and machinery.
9. While there are no precedents where the Commission has defined the markets for the distribution of the installation products, the parties claim that this market is very similar to the distribution of building materials, for which there is an established practice. In particular, the Commission considered that the markets for distribution can be divided in: a) the wholesale distribution of building materials (i.e. sales to retailers), b) the retail sale of building materials to professional customers and c) the retail sale of building materials to non-professional customers (primarily through DIY stores)⁴. As

² See case M.4024, *Cinven / Frans Bonhomme*.

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).

⁴ See, for example, cases M.3412, *CVC / Danske Traelast*, and M. 3184 - *Wolseley / Pinault Bois & Matériaux*.

to the relevant geographic markets, they have been defined as national or even local. The Commission has noted in previous cases the market for building distribution could be regarded as national, given that the main players compete nationally in terms of presentation, coverage, product offering, marketing and general policy⁵. The market investigation has confirmed by and large the parties' view on the product and geographic market definition. In any case the exact definition of the relevant products and geographic markets can be left open since even adopting the narrowest possible product market definition effective competition would not be significantly impeded.

Supply and distribution of energy and telecommunication cables

10. Prysmian is one of the leading energy and telecom cables manufacturers in Europe.
11. In a previous case⁶, the Commission defined the energy cable-related markets in which Prysmian is active as follow:
 - a. general wiring, low voltage cables used for building and industrial applications;
 - b. copper rod, one of the main raw materials;
 - c. low voltage (LV) and medium voltage (MV) power cables, which are predominantly used in the distribution of electricity;
 - d. high voltage (HV) and extra-high voltage (EHV) power cables, which are used for the transmission of power by the large national grid operators;
 - e. cable accessories.

The telecom cables markets in which Prysmian is active was defined as follow⁷:

- a. fibre optical cable;
 - b. copper cable.
12. The market investigation has shown that such classification could be relevant also at the distribution level, although copper rod, HV and EHV power cables and cable accessories generally are not sold through the distribution channel. The main reason for such differentiation at retail level is the different nature of the customers and the different way in which purchases are carried out.
13. The parties submitted that the relevant geographic markets for energy cables and for telecom cables are at least Community-wide, while the market for distribution of the above mentioned products are national. The market investigation substantially confirmed such view. In particular, although the cables are low differentiated products the retail prices differ across Europe as a consequence of the logistic costs and other services specific to each country. In any case the exact definition of the relevant products and geographic markets can be left open since even adopting the narrowest possible product market definition effective competition would not be significantly impeded.

⁵ Idem.

⁶ See case M.1882, *Pirelli/BICC*.

⁷ See case M.2574, *Pirelli / Edizione / Olivetti / Telecom Italia*.

V. COMPETITIVE ASSESSMENT

Horizontal overlaps

14. As to the horizontal overlaps resulting from the transaction, Cinven controls an undertaking active in the distribution of installation products in France, Frans Bonhomme. The target company Ahlsell is active in the wholesale and retail distribution of installation products only in the Scandinavian countries.
15. As a consequence of the fact that Frans Bonhomme and Ahlsell operate in different geographic markets, there are no horizontal overlaps between the activities of the parties to the present concentration.

Vertical overlaps

16. The transaction has a vertical impact to the extent Prysmian, controlled by Goldman Sachs, is one of the leading energy and telecom cables manufacturers in Europe whilst, downstream, Alshell is a large distributor of various installation products, including energy and telecoms cables in the Scandinavian countries.
17. The parties submitted that Prysmian is a leading supplier of LV and MV power cables in the EEA market as it is shown in the table below:

Competitors	EEA Market shares (%)		
	2002	2003	2004
Prysmian	[35-45]	[35-45]	[30-40]
Nexans	[10-20]	[10-20]	[30-40]
General	[0-10]	[0-10]	[0-10]
NKT	[0-10]	[0-10]	[0-10]
Others	[30-40]	[20-30]	[20-30]

18. Prysmian is a leading supplier also in the EEA market for the telecom fibre optic cables as it is shown in the tables below:

Competitors	Market shares (%)		
	2002	2003	2004
Prysmian	[20-30]	[20-30]	[20-30]
Draka Comteq ⁸	[20-30]	[10-20]	[10-20]
Coming	[10-20]	[10-20]	[10-20]
OFS	[0-10]	[0-10]	[0-10]
Others	[30-40]	[30-40]	[30-40]

19. The competitors replying to the market investigation confirmed that Prysmian is the European market leader in these two markets, although with market shares lower than those declared by the parties.
20. Ahlsell is active in the retail distribution to professional of LV and MV power cables and fibre optic cables in Sweden, Norway and marginally in Denmark (in the latter country its market shares are below [0-10]%) with the following market shares:

	Market shares (%)		
	2002	2003	2004
LV and MV power cables in Sweden	[20-30]	[20-30]	[10-20]
fibre optic cables in Sweden	[10-20]	[10-20]	[10-20]
LV and MV power cables in Norway	[0-10]	[0-10]	[0-10]
fibre optic cables in Norway	[0-10]	[0-10]	[0-10]

21. In the market investigation it has therefore been verified whether the merger could give rise to foreclosure effects, i.e., as a result of the transaction, either Prysmian's competitors would no longer have access to Alshell distribution channel, or Alshell's competing distributors could be denied access to Prysmian cables, with detrimental effects to final customers.
22. As regards the risk of downstream foreclosure towards Prysmian's competitors, it appears that Alshell has no particularly strong position in the Scandinavian countries, while there are other larger distributors competing with Ahlsell. In Sweden, in both markets, there are some distributors with market shares higher than Ahlsell: Hagemmeyer ([20-30]% in the market for LV and MV power cables and [30-40]% in the market for fibre optic cables), Rexel (respectively [20-30]% and [10-20]%) and Sonepar ([10-20]% and [20-30]%). In Norway, the most important distributors are Hagemmeyer ([30-40]% and [20-30]%) and Onninen ([30-40]% and [20-30]%). Some

⁸ Draka Comteq is a joint venture between Alcatel and Draka actives from the year 2004. For the previous years the market shares are the sum of the market shares of Alcatel and Draka.

of these retailers already distribute the Prysmian's products together with the products of other cables' manufacturers.

23. Moreover, the market investigation has shown that energy and telecom cables are low differentiated products; consequently the brand loyalty for these products is generally low. Customers usually compare the price and other conditions (i.e. logistics) supplied by different retailers before choosing their purchases. The biggest customers choose their suppliers by a tendering process. Finally, retailers tend to offer a range of different brands to satisfy their customers, while single branding is very unusual. Therefore it is unlikely that post-merger Ahlsell and Nexans Distribusjon will distribute Prysmian cables only, and in any event, irrespective of Alshell, customers will have sufficient choice among alternative retailers.
24. The market investigation has also ruled out the risk of input foreclosure, i.e. refusal to supply, or supply under discriminatory terms of Prysmian's cables to Alshell's competitors. The sales of Prysmian's products in Sweden and Norway are quite limited. In particular, in the market for LV and MV power cables it has a share of around [0-10]% in both countries and in the market for fibre optic cables [0-10]% in Sweden and [10-20]% in Norway, while other competitors, such as Nexans and Draka, hold higher markets shares (each of them holds shares well above [20-30]% in all of the above markets). As a consequence, retailers would have no problem to be sourced by Prysmian's competitors.

VI. CONCLUSION

25. 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 (EC) No 139/2004.

For the Commission
signed
Joaquin ALMUNIA
Member of the Commission