

***Case No COMP/M.6108 -
EQT V/ DOMETIC***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 19/04/2011

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EUROPEAN COMMISSION

Brussels, 19.04.2011

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PUBLIC VERSION

MERGER PROCEDURE

To the notifying party:

Dear Sir/Madam,

**Subject: Case No COMP/M.6108 – EQT V/ DOMETIC
Commission decision pursuant to Article 6(1)(b) of Council Regulation
No 139/2004¹**

1. On 16 March 2011, the European Commission received a notification of a proposed concentration by which the undertaking EQT V (United Kingdom) acquires sole control over DHAB II S.a.r.l. and its subsidiaries ("Dometic", Sweden) by way of purchase of shares.² EQT V is designated hereinafter as the "Notifying Party".

I. THE PARTIES AND THE OPERATION

2. EQT V is an investment fund set up in 2006. EQT V is part of the EQT group of private equity funds.
3. Dometic is an industrial company group that supplies leisure products and ancillary services for the caravan, motorhome, automotive, truck and marine markets as well as various refrigeration products.
4. Pursuant to a sale and purchase agreement signed on 25 February 2011, EQT V acquires sole control of Dometic. Hence, the proposed transaction constitutes a concentration within the meaning of Article 3(1)(b) of the Merger Regulation.

¹ OJ L 24, 29.1.2004, p. 1 ("the Merger Regulation"). With effect from 1 December 2009, the Treaty on the Functioning of the European Union ("TFEU") has introduced certain changes, such as the replacement of "Community" by "Union" and "common market" by "internal market". The terminology of the TFEU will be used throughout this decision.

² Publication in the Official Journal of the European Union No C 93, 25.03.2011, p.25

IV. EU DIMENSION

5. The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 000 million³ (EQT V: EUR [...] million, Dometic: EUR [...] million). Each of them has an EU-wide turnover in excess of EUR 250 million (EQT V: EUR [...] million, Dometic: EUR [...] million), but they do not achieve more than two-thirds of their aggregate EU-wide turnover within one and the same Member State. The notified operation therefore has an EU dimension.

V. COMPETITIVE ASSESSMENT

6. EQT V does not have any interest in any company active in the same market as Dometic. EQT Expansion Capital II⁴ jointly controls Roeser Group (“Roeser”, Germany), a medical supply wholesaler with activities vertically related to Dometic's manufacture/supply of medical refrigerators. In addition, EQT V solely controls Scandic, which is a hotel chain operator, while Dometic manufactures and supplies hotel safes and hotel minibars.

1. Relevant Product and Geographic Market Definitions

a) Production and sale of medical refrigerators

7. Dometic supplies small compact refrigerators used in caravans, motorhomes, pleasure boats and yachts, as well as by the hotel and cruise industry. Dometic also supplies portable refrigerators and cool-boxes for an active outdoor life. Dometic uses both absorption and compressor technology in its refrigerators.⁵ Its subsidiary Dometic Medical Systems specializes in technology for refrigerators, freezers and transport containers used in the medical sector. Its products are used by hospitals, laboratories, pharmacies, blood banks, research centres and universities.
8. According to the Notifying Party the, medical refrigerator market should not be further segmented depending on the technology used. Both absorption- and compressor-technology based refrigerators are used as medical refrigerators as there is, from the customers' perspective, no significant difference between the two technologies. Taking into account that Dometic and its competitors supply its medical refrigerators on an EEA-wide basis and that a local presence is not a necessary prerequisite for supply, the Notifying Party submits that the relevant geographic market may be deemed to be EEA-wide (or at least wider than national).
9. In the present case the precise relevant market definition can be left open, as the transaction is unlikely to cause any competition concerns under any potential market definition.

³ Turnover calculated in accordance with Article 5 of the Merger Regulation.

⁴ Both EQT V and EQT Expansion Capital II belong to the EQT group of private equity funds. The other EQT funds with current investments are: EQT III, EQT IV, EQT Opportunity, EQT Expansion Capital I, EQT Greater China II, ICP-Asia, EQT Infrastructure and EQT Credit.

⁵ Absorption refrigerators use a heat source to provide the energy needed to drive the cooling system and are an alternative to regular compressor refrigerators where electricity is unreliable, costly or unavailable, where noise from the compressor is problematic or where surplus heat is available.

b) Manufacture/supply of hotel minibars

10. Dometic's absorption refrigerators are used as hotel minibars. Hotel minibars are small and usually placed in the rooms used by hotel guests (to store drinks, snacks, etc.). As hotel minibars are generally located in close proximity to persons sleeping, this places particular demands on their quality in terms of running silently.⁶
11. The Notifying Party submits that the relevant geographic market may be deemed EEA-wide (or at least wider than national), mostly due to the fact that local presence is not a prerequisite for supply of minibars and because hotel chains enter into framework supply agreements with hotel minibar suppliers on an EEA-wide or worldwide basis.
12. Respondents to market investigation largely confirmed that relevant geographic market is most likely broader than national as minibars are transported over long distances and the local presence of the seller is not required. The precise relevant market delimitations can however be left open in this case, as the transaction is unlikely to cause any competitive concerns under any potential market definition.

c) Production and sale of small security safes

13. Dometic supplies small security safes for trucks, yachts, as well as to the hotel and cruise industries.
14. Although the specifications of hotel safes and other security safes (e.g. domestic or office safes) might differ⁷, the Notifying Party considers that the relevant product market is wider than hotel safes and encompasses all small security safes as such, as the security safes supplied by Dometic can be used in many different contexts. As regards the geographic market definition, the Notifying Party submits that, since Dometic and its competitors supply its hotel safes on an EEA-wide basis and a local presence is not a necessary prerequisite for supply, the relevant geographic market may be deemed to be EEA-wide (or at least wider than national).
15. In the present case the precise relevant market delimitations can however be left open, as the notified concentration is unlikely to raise any competition problems under any potential market definition.

d) Wholesale/distribution of medical supplies

16. Roeser, one of EQT V portfolio companies, is a wholesaler of various medical supplies (including medical products, durable goods, operating equipment and instruments). Roeser purchases medical supplies for its own account and subsequently resells these products to the end-users.
17. The Notifying Party submits that, in the area of medical supplies, end-users (e.g. a hospital) cannot substitute between different product groups. However, wholesalers of medical supplies are expected to, and generally do, provide a full range of different

⁶ Refrigerators based on absorption technology are used as minibars in the EU market, while noisier minibars based on compressor technology are standard in US and Asian markets.

⁷ Generally, hotel safes have a tracking mechanism, it is possible to open a hotel safe with a master key and hotel safes are not fire proof.

supplies. Consequently, the Notifying Party's view is that the relevant product market can be considered the wholesale/distribution of medical supplies, covering a wide range of products used by customers, which, in its opinion, would also be consistent with the Commission's approach in other cases concerning distribution businesses.⁸ The Notifying Party considers the relevant geographic market to be national in scope.

18. In the present case the precise relevant market delimitation can be left open, as the notified concentration is unlikely to raise any competition problems under any potential market definition.

e) Provision of hotel accommodation

19. Scandic, one of the portfolio companies controlled by EQT V, is a hotel chain operating 149 full service hotels typically situated either in city centre locations or in the outskirts of cities and major towns in nine countries. The Commission has in previous decisions⁹ considered that the overall hotel accommodation market could potentially be segmented by: (i) price/comfort level based on the grading of stars awarded to the particular hotel which indicates the standard and facilities the customer may expect; and/or (ii) ownership (i.e. a separation of hotel chains forming networks of hotels on the one hand and independent hotels on the other hand), but has left the exact market definition open. As for the geographic scope, the Commission has in past decisions considered that the relevant geographic market may be national (due to the structure of supply which may vary from one country to another as the hotel industry is linked to national economic trends) or local (as competition exists at a local level between all types of hotels, whether chains or independents, as consumer choice of hotel will heavily be determined by location).
20. The Notifying Party submits that the relevant market should be considered as the provision of hotel accommodation on a national basis. However, in the present case the exact market definition can be left open, as it is unlikely the transaction will cause any competition problems under any potential market definition.

2. Competitive Assessment

2.1. Horizontal relationships

21. The transaction does not lead to any horizontally affected markets since no company controlled by EQT V is active on the same relevant product markets as Dometic.

⁸ M.5091 - Avnet / Memec, 24.06.2005, para. 8.

⁹ M.1133 - Bass PLC / Saison Holdings B.V., 23.03.1998; M.1596 - Accor / Blackstone / Colony / Vivendi, 08.09.1999; M.2197 Hilton / Accor / Forte / Travel Service JV, 16.02.2001; M.2451 - Hilton / Scandic, 31.05.2001; M.2997 - Accor / Ebertz / Dorint, 23.12.2002; M.3858 - Lehman Brothers / SCG / Starwood / Le Meridien, 20.07.2005; M.4624 - EQT / Scandic, 25.04.2007; and M.4816 - Blackstone / Hilton, 19.10.2007.

2.2. Vertical relationships

22. EQT Expansion Capital II has joint control over Roeser, active in the wholesale market for the medical supply, which is vertically related to the production and supply of medical refrigerators, where Dometic is active. However, as s Roeser and Dometic market shares in the upstream and downstream markets are below 25%¹⁰, the transaction does not give rise to any affected markets.
23. In addition, EQT V solely controls Scandic, which is a hotel chain operator. Scandic's activities in the provision of hotel accommodation are vertically related to Dometic's activities in the manufacture and supply of hotel safes and minibars. Scandic's market shares are below 25% in all the countries where it operates. Dometic's estimated sales shares for the manufacture/supply of hotel safes in 2010 do not exceed 25%, either at the EEA-level or in any country where Scandic is present, and therefore these activities do not give rise to any affected markets with regards to hotel safes.
24. The only vertical relationship that gives rise to affected markets is Scandic's provision of hotel accommodation and Dometic's activities in the provision of hotel minibars, as Dometic's estimated sales shares exceed 25% at the EEA level and in certain Member States where Scandic is also present, namely in Denmark, Finland, Norway Sweden, Belgium and Germany. The table below illustrates Dometic's market shares on the respective markets.

Table 1: Dometic estimated market shares¹¹

	Dometic's market shares- hotel minibars (2010)	
	Value	Volume
EEA	[30-40]%	[20-30]%
Belgium	[40-50]%	[30-40]%
Denmark	[20-30]%	[10-20]%
Finland	[30-40]%	[20-30]%
Germany	[40-50]%	[40-50]%
Norway	[30-40]%	[20-30]%
Sweden	[20-30]%	[10-20]%

25. It is unlikely, in any event, that the transaction will give raise to foreclosure effects, as neither Dometic nor Scandic would have ability or incentive to foreclose third parties as regards input or customers.
26. As regards Belgium and Germany, despite Dometic's relatively high market shares, Scandic's presence in both countries is marginal. Scandic operates 2 hotels in Belgium and Germany respectively, what represents less than 0.1% and 0.01%, respectively, of the total number of hotels in those countries for 2009. Such limited presence shows that Scandic is an insignificant purchaser of hotel minibars in these two countries.

¹⁰ Market shares' data are based on the Notifying Party estimates. Dometic estimates that its market share for the manufacture/supply of medical refrigerators is [10-20]% in the EEA and [5-10]% in Germany and that Roeser's share on the downstream market for the wholesale of medical supplies is [0-5]% in Germany.

¹¹ Source: Form CO.

27. As regards other affected national markets, Scandic has moderate market shares in Denmark ([5-10]% by value, [10-20]% by volume), Finland ([10-20]% by value, [5-10]% by volume), Norway ([5-10]% by value, [5-10]% by volume) and Sweden ([10-20]% by value, [10-20]% by volume). Moreover, the Notifying Party submits that Scandic is not an important purchaser of hotel minibars in any of the countries concerned, as Scandic share in the overall estimated local market demand for last two years did not exceeded [0-5]% in all of the countries concerned, with exception of Finland where Scandic demand in 2009 reached [5-10]% by volume (its demand for minibars in 2010 dropped however and reached a mere [0-5]).¹² Moreover, Scandic's purchases of minibars are very limited in absolute terms (e.g. its [5-10]% of the demand in Finland for 2009 amounted to [...] minibars, for a value of EUR [...]).
28. Sales of hotel minibars may take place under the umbrella of the central agreement between the minibar suppliers and the hotel chains, but also in the framework of direct sales to individual hotels. Scandic typically leases the hotels from various property owners and, depending on the lease agreement, it is Scandic or the property owner who is responsible for the purchase of equipment. Therefore, the local hotel managers would often be free to choose the minibars supplier independently from the central agreement entered into by Scandic, which further mitigates any risk of customer foreclosure.
29. Finally, the respondents to the market investigation confirmed that, under the scenario whereby the transaction would result in Scandic sourcing exclusively from Dometic, they would have sufficient access to a customer base.
30. In the EEA level, as well as in Denmark, Finland, Norway Sweden, no risk of the input foreclosure seems to arise either as Dometic faces competition from other hotel minibar suppliers with significant sales shares, included Minibar AG, Indel and ISM (with market shares by volume at EEA level of [10-20]%, [20-30]% and [5-10]% respectively). The market investigation indicates that Dometic minibars are not superior or special in any significant way. hotel operators may thus choose from several of sources of supply of minibars and major hotel chains usually have more than one preferred supplier of these types of products.
31. Moreover, the supply of hotel minibars does not concern an important input for hotel operators. The purchases of minibars represent an insignificant cost factor in the operation of hotels.¹³ Additionally, hotel operators purchase these products infrequently, in particular in connection with refurbishments of existing hotels or the construction of new hotels, which limits the success of a potential foreclosure strategy.
32. Finally, taking into account Scandic's limited share of demand, for hotel minibars, EQT V is unlikely to have incentive to engage into any foreclosure strategy as the potential benefits to be achieved seem limited.

VI. CONCLUSION

¹² Scandic's estimated share of demand on an EEA-wide level for hotel minibars is around [0-5]%.

¹³ The Notifying Party submits that according to Scandic's 2009 total costs for inventory purchases was ~SEK [...] million (~EUR [...] million). Consequently, Scandic's total purchases of hotel safes and hotel minibars in 2010 (EUR [...]) would represent [0-5]% of Scandic's 2009 costs for inventory purchases.

33. For the above reasons, the European Commission has decided not to oppose the notified operation and to declare it compatible with the internal 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)
Joaquín ALMUNIA
Vice-President