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***Case No COMP/M.6837 - GOLDMAN SACHS/ TPG
LUNDY / EXCEPTION GROUP LIMITED***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 25/03/2013

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Brussels, 25.03.2013

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 Where possible the information omitted has been replaced by ranges of figures or a general description.

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PUBLIC VERSION

MERGER PROCEDURE

To the notifying parties:

**Subject: Case No COMP/M.6837 – Goldman Sachs/ TPG Lundy/ Exception Group Limited
Commission decision pursuant to Article 6(1)(b) of Council Regulation No 139/2004¹**

1. On 18 February 2013, the European Commission received notification of a proposed concentration pursuant to Article 4 of the Merger Regulation by which the undertakings The Goldman Sachs Group, Inc. ("Goldman Sachs", USA) and TPG LundyCo, L.P. ("TPG Lundy", Cayman Islands), ultimately controlled by the TPG Group (USA), acquire within the meaning of Article 3(1)(b) of the Merger Regulation joint control of Exception Group Limited ("Exception", UK) from the Lloyds Banking Group, ("LBG", UK) by way of purchase of shares².
2. Goldman Sachs and TPG Lundy are designated hereinafter as the "Notifying Parties" and Goldman Sachs, TPG Lundy and Exception together as the "Parties".

(1) THE PARTIES AND THE OPERATION

3. Goldman Sachs provides financial services as a global investment banking, securities and investment management firm.

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 OJ C 61, 2.3.2013, p. 3.

4. TPG Lundy is part of the TPG Group, a global private investment firm that manages a family of funds that invest in a variety of companies through acquisitions and corporate restructurings.
5. Exception is a UK company active in the manufacturing and supply of printed circuit boards ("PCBs") and in the provision of electronics manufacturing services ("EMS")³. Exception is currently controlled by the LBG, a UK-based financial services group.
6. The proposed transaction takes place in the context of the Notifying Parties' acquisition of the so-called Lundy Portfolio, which is a portfolio of debt, equity and/or hedging interests owned by the LBG. LBG acquired its equity interests in Exception as a result of the restructuring of debt issued by LBG or its predecessors.
7. Through the proposed transaction, the Notifying Parties will acquire 40% of the voting rights in Exception⁴. The Notifying Parties' equity interests in Exception will be held by a vehicle company in which each of TPG Lundy and Goldman Sachs will hold 50% of the voting interests. Via this vehicle TPG Lundy and Goldman Sachs will jointly control Exception. According to the Investment Agreement, 40% of the voting rights in Exception will give each of TPG Lundy and Goldman Sachs veto rights over important decisions, including inter alia the appointment/removal of any director.
8. Consequently, the proposed transaction will result in the acquisition by Goldman Sachs and TPG Lundy of joint control over Exception⁵.
9. In view of the above, the notified operation therefore constitutes a concentration within the meaning of Article 3(1)(b) of the Merger Regulation.

(2) EU DIMENSION

10. The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 000 million⁶ (Goldman Sachs Group EUR 29 540 million, TPG Group EUR [...]* million, Exception EUR [...]* million). The first two of them have an EU-wide turnover in excess of EUR 250 million (Goldman Sachs Group EUR [...]* million, TPG Group EUR [...]* million). 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.

³ Electronics manufacturing services providers design, assemble, produce and test electronic components and PCAs (a PCA is a PCB populated with electronic components) for original equipment manufacturers. PCAs are used as elements for different electronic devices, such as computers, telecommunications equipment, and automotive products.

⁴ The remaining shares in Exception are currently held by individual members of the management (39%) and Exception's Employee Benefit Trust ("EBT") (21%). The management members and EBT do not have any veto rights over Exception's decisions with respect of any of its activities. Accordingly, the management and EBT do not have joint control over Exception.

⁵ In line with the Commission Consolidated Jurisdictional Notice under Council Regulation (EC) No 139/2004 on the control of concentrations between undertakings, (OJ C 95, 16.04.2008, p. 1), paragraphs 65 and 69.

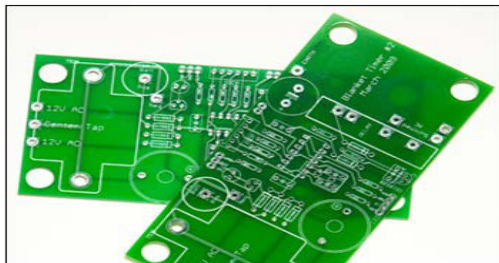
⁶ Based on Goldman Sachs' 2010 turnover, and TPG Group's and Exception's 2011 turnover. Despite the unavailability of a detailed breakdown of Goldman Sachs' 2011 turnover data, the Notifying Parties confirmed that in 2011 Goldman Sachs' EU turnover exceeded EUR 250 million.

(3) RELEVANT MARKETS

Markets for PCBs

11. PCBs are a platform on which various electronic components, such as integrated circuits (“IC”), capacitors, microprocessors and resistors are mounted⁷.

Figure 1: PCB



Source: Form CO

12. The Notifying Parties submit that there are three main types of PCBs on the market: (1) single-sided/layer PCBs, (2) double-sided/layer PCBs, and (3) multi-layer PCBs.
- **Single-sided/layer PCBs.** Single-sided/layer PCBs have all conductors, or copper traces, on one side of the board;
 - **Double-sided/layer PCBs.** Double-sided/layer PCBs have conductor patterns on both sides of the board. Conductors travel from one side of the PCB to the other through plated-through holes called vias, or feed-throughs; and
 - **Multi-layer PCBs.** Multi-layer PCBs have one or more conductor pattern inside the board. This is achieved by gluing (laminating) several double-sided circuit boards together with insulating layers in between. Most boards have between 4 and 10 layers. However, the total number of layers that can be manufactured can exceed 42 layers.
13. Exception supplies all three types of PCBs.
14. In previous cases concerning PCBs, the Commission left open the question of whether PCBs form part of a single product market or whether they should be subdivided into the different types of PCBs (1-4 layer PCBs, multi-layer (>6) PCBs, paper & composite PCBs, flexible circuits, silicon platforms and microvia multilayer PCBs)⁸.
15. The Notifying Parties submit that there is a single relevant market consisting of all the different types of PCBs and that a further segmentation would not be appropriate. This is because all PCBs share common features and purposes, serve the same industries and

⁷ Case COMP/M.2230 – *Sanmina/Siemens/Inboard Leiterplattentechnologie*, 21 December 2000, paragraph 6.

⁸ Case COMP/M.2230 – *Sanmina/Siemens/Inboard Leiterplattentechnologie*, 21 December 2000, paragraphs 7 and 9.

have a similar cost/performance ratio. PCBs are also substitutable from the perspective of suppliers, who can, and indeed do, manufacture different types of PCBs.

16. In *Sanmina/Siemens/Inboard Leiterplattentechnologie*, the Commission's market investigation confirmed that the relevant geographic market is at least EEA-wide, if not worldwide⁹.
17. For the purposes of the present decision, the exact product and geographic market definition can be left open, since the notified transaction does not raise serious doubts as to its compatibility with the internal market under all alternative market definitions.

Markets for copper clad glass fibre laminates

18. One of the TPG Group's portfolio companies, Isola Group S.à r.l. ("Isola"), produces copper clad glass fibre laminates, which are used in the manufacturing of PCBs.
19. The Notifying Parties submit that copper clad glass fibre laminates are plates of plastic used in the electronics industry. They consist of materials, such as glass or fabrics that have been saturated with phenolic resin or epoxy resin and additionally pressed with copper folio. Nearly 90% of laminates are clad with copper and sold as basic material for PCBs.
20. Copper clad glass fibre laminates include (1) basic glass fibre laminates ("BGELs") and (2) high-performance glass fibre laminates ("HPLs"):
 - **BGELs:** BGELs are made using traditional epoxy resins and have similar performance characteristics. Suppliers can readily produce a wide variety of different BGEL grades with little or no switching costs¹⁰; and
 - **HPLs:** HPLs are made with different types of resins than BGELs¹¹.
21. In a previous decision, the Commission concluded that all clad glass laminates form a single relevant product market¹². In the more recent *Isola/Polyclad* case, the Commission's market investigation suggested that a further delineation of the market into BGELs and HPLs may be appropriate, without concluding on the exact definition¹³.
22. The Notifying Parties submit that the exact product market definition as regards copper clad glass fibre laminates can be left open.

⁹ Case COMP/M.2230 – *Sanmina/Siemens/Inboard Leiterplattentechnologie*, 21 December 2000, paragraph 10.

¹⁰ Case COMP/M.4106 - *Isola/Polyclad*, 12 April 2006, paragraph 7.

¹¹ Case COMP/M.4106 - *Isola/Polyclad*, 12 April 2006, paragraph 7.

¹² Case IV/M.401 - *Ruetgerswerke AG / Huels Troisdorf AG*, 2 March 1994, paragraph 13.

¹³ Case COMP/M.4106 - *Isola/Polyclad*, 12 April 2006, paragraph 8.

23. In a previous Commission decision, the geographic market for copper clad glass laminates was considered as at least EU/EEA-wide without the Commission concluding on the exact definition¹⁴.
24. The Notifying Parties submit that the geographic scope of the relevant market is at least EEA-wide and likely worldwide.
25. For the purposes of the present decision, the exact product and geographic market definition can be left open, since the notified transaction does not raise serious doubts as to its compatibility with the internal market under all alternative market definitions.

Financial markets

26. Goldman Sachs and TPG Lundy's activities overlap internationally in the areas of investment banking, corporate finance, and the private equity segment of the corporate finance market or asset management services (although they typically invest in different assets).
27. Previously, the Commission has defined separate product markets for (i) investment banking and (ii) financial market services¹⁵. The Commission has also examined cases dealing with various private equity segments (in its widest sense, as equity investments in unquoted companies), the supply of funds comprising equity and debt finance¹⁶, lending services¹⁷, securities lending¹⁸, Initial Public Offering ("IPO") advisory services and equity and debt underwriting¹⁹. The Commission has also examined the provision of asset management and portfolio management services to pension funds, institutions, international organisations and private investors²⁰. The Commission has also pointed out that asset management excludes the provision of portfolio management services to individuals (so-called private banking)²¹. The product market definition was left open in all these cases.

¹⁴ Case COMP/M.4106 - *Isola/Polyclad*, 12 April 2006, paragraph 12.

¹⁵ Cases COMP/M.6168 – *RBI/EFG Eurobank/JV*, 29 June 2011, paragraph 11, COMP M.3894 - *Unicredito/HVB*, 18 October 2005, paragraph 8, COMP/M.2225 - *Fortis ASR*, 13 December 2000, paragraph 8, COMP/M.1910 – *Meritanordbanken/Unidanmark*, 10 April 2000, paragraph 7, COMP/M.1172 - *Fortis AG/Generale Bank*, 24 June 1998, paragraphs 11-12, and COMP/M.850 - *Fortis/MeesPierson*, 06 February 1997, paragraph 8.

¹⁶ Case COMP/M.2577 – *GE Capital/Heller*, 23 October 2001, paragraph 15.

¹⁷ Case COMP/M.2577 – *GE Capital/Heller*, 23 October 2001, paragraph 20.

¹⁸ Case COMP/M.3511, *Wiener Boerse et al / Budapest Stock Exchange / Budapest CommodityExchange / KELER / JV*, 22 March 2005, paragraph 27.

¹⁹ Case COMP/M.2158 – *Credit Suisse Group/Donaldson, Luftkin & Jenrette*, 9 October 2000, paragraph 7.

²⁰ Possibly also further segmented into retail and institutional segments and based on investment strategy into active and passive investment. See Case COMP/M.5580 – *Blackrock/Barclays Global Investors UK Holdings*, 22 September 2009, paragraphs 8-9.

²¹ Case COMP/M.5580 – *Blackrock/Barclays Global Investors UK Holdings*, 22 September 2009, paragraphs 9-10.

28. As far as the geographic scope of these markets is concerned, the Commission considered an EEA-wide or global dimension, without concluding on the exact definition.
29. For the purposes of the present decision, the exact product and geographic market definition can be left open, since the notified transaction does not raise serious doubts as to its compatibility with the internal market under all alternative market definitions.

(4) COMPETITIVE ASSESSMENT

30. The Notifying Parties submit that the proposed operation is a purely financial investment transaction.
31. The proposed transaction will not result in any horizontal overlaps between the activities of Exception on one hand and those of Goldman Sachs or the TPG Group, or any of their controlled portfolio companies, on the other hand.
32. The proposed transaction will give rise to a vertical relationship between the activities of Exception in the manufacturing of PCBs and the activities of Isola in the production of copper clad glass fibre laminates. Isola is jointly controlled by TPG group funds and another private equity investment group, Oaktree Capital Group, LLC ("Oaktree").
33. Finally, to the extent that the Notifying Parties' activities overlap in investment banking, financial market services, private equity, and asset management services, the Notifying Parties' shares do not give rise to affected markets.

Horizontal assessment

34. Goldman Sachs and the TPG Group do not control any undertakings that are active in the manufacturing of PCBs or EMS. Therefore, the proposed transaction will not result in any horizontal overlaps between the activities of the target and those of any controlled portfolio companies of Goldman Sachs or the TPG Group.

Vertical assessment

35. Exception's market share on the PCB market is less than 5% both worldwide and in the EEA. Even if the various types of PCBs were considered separately, Exception's share would still be below 5%.
36. Similarly, Isola's worldwide market shares are well below 25% in both an overall market for copper clad glass fibre laminates ([5-10]*%) and separate markets or segments for BGELs and HPLs ([0-5]*% and [10-20]*% respectively).
37. However, on the basis of a narrower, EEA-wide geographic market definition for the copper clad glass fibre laminates market, the concentration would result in the following vertically-affected markets:

Table 1 – Potentially Affected Markets

<u>Upstream Markets</u>	<u>Isola's Market Share (%)</u>
Market for all copper clad glass fibre laminates	[30-40]*%
Market for BGELs	[20-30]*%
Market for HPLs	[50-60]*%
<u>Downstream Markets</u>	<u>Exception's Market Share (%)</u>
Market for PCBs	<5%
Markets for 1-4 layer PCBs, multi-layer (>6) PCBs, paper & composite PCBs, flexible circuits, and microvia multi-layer PCBs	<5%

Source: Form CO

38. The Notifying Parties submit that the vertical link between Isola and Exception will have no adverse effect on competition in either the markets in which Exception is active or in the markets in which Isola is active.
39. The Commission has examined the vertical overlap between Exception and Isola and considers that the proposed transaction will not lead to any risk of input foreclosure for the following reasons.
40. First, Isola's worldwide market shares are well below 25% on all possible copper clad glass fibre laminates markets/segments, and Isola will continue to face strong competition from a number of large competitors²². Even on the basis of a hypothetical EEA-wide market, Isola would continue to face competitors with a strong EEA presence²³. Given these alternative sources of supply, Isola would not have the ability to foreclose access to copper clad glass fibre laminates, even if it exclusively supplied Exception in the future.
41. Secondly, Isola is jointly controlled by another fund than TPG Lundy of the TPG Group, namely by Oaktree. Thus, TPG Lundy would not be in a position to cause other TPG Funds to influence the sales strategy of Isola with the aim of boosting Exception's competitive position, which TPG Lundy will control. In addition, other TPG Funds have different

²² Such as Kingboard Laminates Group (with worldwide market shares of [10-20]*% on the overall copper clad glass fibre laminates market and [20-30]*% on the BGELs market), Nanya (with worldwide market shares of [10-20]*% on the overall copper clad glass fibre laminates market, [10-20]*% on the BGELs market and [20-30]*% on the HPLs market), Shengyi (with worldwide market shares of [10-20]*% on the overall copper clad glass fibre laminates market and [10-20]*% on the BGELs market), and Iteq (with worldwide market shares of [5-10]*% on the overall copper clad glass fibre laminates market, [0-5]*% on the BGELs market and [10-20]*% on the HPLs market).

²³ Such as Nanya (with EEA-wide market shares of [10-20]*% on the overall copper clad glass fibre laminates market, [10-20]*% on the BGELs market and [10-20]*% on the HPLs market), Iteq (with EEA-wide market shares of [10-20]*% on the overall copper clad glass fibre laminates market, [10-20]*% on the BGELs market and [5-10]*% on the HPLs market), Panasonic (with EEA-wide market shares of [5-10]*% on the overall copper clad glass fibre laminates market, [5-10]*% on the BGELs market and [10-20]*% on the HPLs market), and Ventec (with EEA-wide market shares of [5-10]*% on the overall copper clad glass fibre laminates market, [5-10]*% on the BGELs market and [0-5]*% on the HPLs market).

investors than TPG Lundy, which will be making the investment in Exception. Any strategy of increasing the revenues of Exception at the expense of the revenues of Isola would favour the investors in TPG Lundy over those in other TPG Funds. Moreover, any hypothetical foreclosure strategy would be prevented by Oaktree, who will not receive any revenues from Exception.

42. Finally, there are no incentives to Isola to supply Exception on an exclusive basis, since Isola's sales to Exception were less than [...] *% of Isola's total sales of copper clad glass fibre laminates in the EEA, and Exception's market shares on the various possible PCB markets are less than 5%.
43. The Commission also considers that the proposed transaction does not lead to any risk of customer foreclosure either for the following reasons.
44. The share of Exception on all possible PCB markets/segments is less than 5% both worldwide and in the EEA. Thus, Exception cannot be considered an essential route to market for providers of copper clad glass fibre laminates and there is plentiful alternative demand for copper clad glass fibre laminates.
45. It is also doubtful that Goldman Sachs, as the future jointly controlling shareholder of Exception, would agree to such customer foreclosure strategy, because any profits of such a strategy would accrue only to Isola in which Goldman Sachs has no interest.
46. In conclusion, the Commission does not consider that the proposed transaction will lead to competition concerns arising from the vertical relationship between Exception and Isola.

Spill-over effects

47. The Commission also assessed whether the proposed transaction will give rise to any risk of spill-over effects within the meaning of Article 2(4) of the Merger Regulation between the activities of each of the Notifying Parties and/or their respective portfolio companies.
48. The TPG Group is not active to a significant extent in Goldman Sachs' core business areas of investment banking and financial market services. In any event, to the extent that any of the TPG Group's activities could be said to overlap with those of Goldman Sachs in investment banking and financial market services, the combined shares would be less than 15%, according to the Notifying Parties.
49. With regard to private equity and asset management services, the Notifying Parties state that their activities typically involve different assets. Equally here, to the extent that their activities could be said to overlap, the combined market shares would also be less than 15%, according to the Notifying Parties.
50. Finally, the activities of Exception appear unrelated to investment banking and financial market services activities carried out by the Notifying Parties, as well as to the activities carried out by their portfolio companies. Moreover, Exception will only represent a small part of the Notifying Parties' portfolio. The Commission's analysis leads to the result that the proposed transaction is highly unlikely to give rise to any anti-competitive spill-over effects within the meaning of Article 2(4) of the Merger Regulation.

(5) CONCLUSION

51. 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*