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***Case No COMP/M.7606 - GRUPO ANTOLÍN/ MAGNA
INTERIORS***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 04/08/2015

***In electronic form on the EUR-Lex website under document
number 32015M7606***



EUROPEAN COMMISSION

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 Where possible the information omitted has been replaced by ranges of figures or a general description.

Brussels, 4.8.2015
C(2015) 5599 final

PUBLIC VERSION

MERGER PROCEDURE

To the notifying party:

Dear Sir/Madam,

**Subject: Case Case M.7606 – Grupo Antolín/ Magna Interiors
Commission decision pursuant to Article 6(1)(b) of Council Regulation
No 139/2004¹ and Article 57 of the Agreement on the European Economic
Area²**

- (1) On 30 June 2015, the European Commission received notification of a proposed concentration pursuant to Article 4 of the Merger Regulation by which Grupo Antolín-Irausa S.A. ("Grupo Antolín", Spain) intends to acquire within the meaning of Article 3(1)(b) of the Merger Regulation sole control of the divisions responsible for the production and sale of automotive interiors products of Magna Interiors ("Magna Interiors"), a wholly-owned operating unit of Magna International, Inc. ("Magna", Canada), by way of a combined purchase of assets and shares (the "proposed transaction").³ Grupo Antolín is referred to as the "Notifying Party", while Grupo Antolín and Magna Interiors are collectively referred to as the "parties".

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 OJ L 1, 3.1.1994, p.3 ("the EEA Agreement").

³ Publication in the Official Journal of the European Union No C 223, 08.07.2015, p. 6.

1. THE PARTIES

- (2) Grupo Antolín is a global manufacturer and supplier of automotive interior components, including overhead systems and overhead components, doors, seats, lighting and trims. It is a privately-owned company incorporated in Spain.
- (3) Magna Interiors is, as a wholly-owned operating unit of Magna, a global manufacturer and supplier of automotive interior components, including overhead systems and overhead components, sidewall and trim systems, cargo management systems and cockpit systems.

2. THE OPERATION AND THE CONCENTRATION

- (4) On 16 April 2015, Magna and Grupo Antolín announced the intention of Grupo Antolín to acquire the divisions responsible for the production and sale of automotive interiors products of Magna Interiors. To this end, the parties have entered into a sale and purchase agreement by which Grupo Antolín will acquire the entirety of Magna Interiors by a combined purchase of all of the latter's shares of legal entities, equity interests and assets. The proposed transaction therefore constitutes a concentration within the meaning of Article 3(1)(b) of the Merger Regulation.

3. EU DIMENSION

- (5) The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 2 500 million [Grupo Antolín: EUR 2 232 million; Magna Interiors: EUR 1 965 million] and they achieve more than EUR 100 million in at least three EU Member States [the Czech Republic, Germany, Slovakia and the UK]⁴. Each of the parties has an EU-wide turnover in excess of EUR 100 million [Grupo Antolín: EUR 1 220 million; Magna Interiors: EUR 1 015 million] and each achieves more than EUR 25 million thereof in the same aforementioned EU Member States [the Czech Republic, Germany, Slovakia and the UK]. Finally, the parties do not achieve more than two-thirds of their aggregate EU-wide turnover within one and the same Member State. The proposed transaction therefore has an EU dimension pursuant to Article 1(3) of the Merger Regulation.

4. RELEVANT MARKETS

4.1. Product market definition

- (6) The parties' activities overlap in relation to the supply of certain interior automotive components and systems to original equipment car manufacturers ("OEM") and original equipment suppliers ("OES") at a global level. Within the EEA, the parties' activities furthermore exclusively overlap in relation to the OEM/OES supply of interior automotive components intended for use in vehicles that weigh less than six tonnes (so-called light vehicles, "LVs", including passenger cars and light commercial vehicles).

⁴ Turnover calculated in accordance with Article 5 of the Merger Regulation.

- (7) In previous decisions, the Commission has identified separate relevant product markets for individual automotive components⁵ as well as wider markets for automotive component systems which are comprised of several individual components.⁶ Furthermore, the Commission has identified separate markets according to whether products are sold to the OEM/OES or independent aftermarket ("IAM") channels⁷ and to whether they are intended for LVs or for HCVs (heavy commercial vehicles).⁸
- (8) The parties indicate that no real IAM exists for automotive interiors products. This is because (i) these components are supposed to endure the complete lifetime of the automobile; (ii) the OEMs/OESs own the intellectual property rights for the respective component, and; (iii) the OEMs/OESs themselves serve potential spare part demands and therefore purchase these on a fixed long-term basis from the parties as part of the initial supply contract. The result of the market investigation yielded support for the parties' view about the non-existence of a real IAM for automotive interiors products. Indeed, a majority of competitors submit that no IAM exists for spare parts within the EEA for overhead systems, headliners, front overhead consoles and sun visors.⁹ A number of OEM customers moreover explain in this regard that, given the limited substitution rate of automotive interiors products, IAM operators are not interested in this business.¹⁰
- (9) Taking into account the Commission's prior decision-making practice, the parties' activities therefore exclusively overlap in the OEM/OES supply of LV automotive interiors products within the EEA and give rise to affected markets in relation to the following interior components: headliners, front overhead consoles, and sun visors. Also, an additional plausible separate relevant product market for overhead systems exists which is affected by the proposed transaction. Overhead systems are pre-assembled modules consisting of a headliner, sun visors and one or more (front and rear) overhead consoles.

Overhead systems, headliners, front overhead consoles and sun visors

- (10) The Notifying Party submits that, although every car model includes a headliner and commonly sun visors and a front overhead console, every overhead system includes other components and accessories as well, resulting in a different configuration for the overhead system of every car model.¹¹

⁵ M.6714 – U-Shin / Valeo CAM (2013); M.4524 – Nematik / Hydro Castings (2007); M.4500 – Nematik / TK Aluminium “A” (2007); M.6083 – Fiat / GM / VM Motori JV (2011); M.1778 – Freudenberg / Phoenix / JV (2000); M.1338 – Teksid / Renault (1999); M.1189 – Teksid / Norsk Hydroproduksjon / Meridian (1998); M.4456 – Mahle / Dana EPG (2007); M.1907 – WOCO / Michelin (2000).

⁶ M.6714 – U-Shin / Valeo CAM (2013); M.6339 – Freudenberg & Co / Trelleborg / JV (2012); M.5799 – Faurecia / Plastal (2010); M.536 – Torrington / Ingersoll (1995).

⁷ M.6714 – U-Shin / Valeo CAM (2013); M.5799 – Faurecia / Plastal (2010); M.4456 – Mahle / Dana EPG (2007).

⁸ M.7174 - FEDERAL-MOGUL CORPORATION/ HONEYWELL FRICTION MATERIALS (2014), M.4785 – Russian Machines/Magna (2007), para. 9.

⁹ Responses to question 5 of Q2 – Questionnaire to competitors.

¹⁰ Responses to question 4 of Q1 – Questionnaire to customers.

¹¹ Form CO para. 197.

- (11) The Notifying Party therefore considers that a separate relevant product market exists for the manufacture and OEM/OES supply of LV overhead systems, of which headliners, sun visors and overhead consoles form part.
- (12) The Commission has previously indeed identified a possible separate relevant product market for overhead systems as a whole, which it described as "the layer of plastic or fiberglass normally covered with fabric or other textured material which lines the interior roof of the car. It normally combines other roof components in the same manner as the door panel such as sound absorption material, coat hooks or sun visors".¹² However, the Commission has previously also identified possible separate relevant product markets for individual automotive components in general (as opposed to automotive systems/modules) and for each of headliners and sun visors in particular.¹³
- (13) **Headliners** have been previously described by the Commission as "the interior covering for the roof of an automobile, [...] usually made of polyurethane".¹⁴ In its decision the Commission also stated that headliners are "often combined with other roof components such as grab handles and sun visors to produce a complete overhead panel module", i.e. an overhead system.
- (14) **Sun visors** have been previously described by the Commission as components "mounted on the driver and front passenger sides of an automotive interior at the point where the headliner substrates meets the front wind screen. They consist of a substrate manufactured from different materials such as hard board, blow-moulded plastic or expanded polypropylene, which is covered by vinyl or leather and which also may have different fitted features such as illuminated mirrors or covers."¹⁵
- (15) The Commission considers on the basis of information provided by the Notifying Party that **overhead consoles**, in turn, are lighting consoles in the headliner which may include reading or courtesy lights, storage bins, conversation mirrors, microphones, alarm sensors etc. The Commission furthermore considers that front overhead consoles (between the sun visors) can be distinguished from rear overhead consoles and therefore they could form part of a separate relevant product market. At the same time, the parties indicate that an overall product market for all interior lighting could exist. The question of whether front and rear overhead consoles form part of the same or of separate relevant product markets, or whether they are part of a wider market for all interior lighting products, can be left open in the present matter given that the proposed transaction is unlikely to give rise to serious doubts as to its compatibility with the internal market under any alternative relevant product market definition. Indeed, the parties' activities involving interior lighting products overlap only in relation to LV overhead consoles. What is more, Grupo Antolín does not produce any rear overhead consoles in the EEA at all, and the aforementioned distinction between rear and front overhead consoles cannot, therefore, affect the competitive assessment carried out in the next section.
- (16) The Commission considers that separate relevant markets for the manufacture and OEM/OES supply of each of (i) overhead systems, (ii) headliners, (iii) sun visors,

¹² M.1518 – Lear / United Technologies (1999), para. 13.

¹³ M.1196 – Johnson Controls / Becker (1998).

¹⁴ M.1196 – Johnson Controls / Becker (1998), para. 11.

¹⁵ M.1196 – Johnson Controls / Becker (1998), para. 9.

and (iv) overhead consoles are plausible, given that a majority of the parties' OEM customers consulted during the market investigation confirmed that they organise separate tenders for the procurement of both overhead systems as well as for each of their aforementioned constituent components.¹⁶

- (17) The question of whether an overall relevant product market for the manufacture and OEM/OES supply of LV overhead systems or for each of their constituent components exists, or for both, can however be left open in the present matter, as the proposed transaction does not give rise to serious doubts as to its compatibility with the internal market under any plausible product market definition.

4.2. Geographic market definition

- (18) The parties submit that, in line with previous decisions by the Commission,¹⁷ the relevant market for the supply of automotive components to the OEM/OES channel is at least EEA-wide.¹⁸
- (19) Notwithstanding that a large part of customers consulted during the Commission's market investigation organises their purchasing of overhead systems, headliners, front overhead consoles and sun visors at worldwide level, a significant number of customers actually require suppliers to have manufacturing facilities near their production plants in the EEA.¹⁹ This is likely due to the importance of 'just in time' sequencing requirements and the transportation costs, which the majority of respondents to the Commission's market investigation indicate as accounting for between 5% and 10% of the total price.²⁰ The Commission accordingly considers that strong indications exist that the geographic scope of the markets involving the manufacture and OEM/OES supply of LV automotive components is limited to the territory of the EEA.
- (20) However, the precise delineation of the relevant geographic scope of the affected markets can be left open in the present matter, as no concerns arise even when taking account of the narrowest plausible geographic market definition.

5. COMPETITIVE ASSESSMENT

- (21) The parties' relative individual and combined positions on the various plausible markets for automotive interiors components that are affected by the proposed transaction are referenced in table 1 below. In order to obtain an accurate view of the parties' strength, given that these are bidding markets, it is important to assess market shares over a significant period of time, covering both past and future. The Commission has therefore requested the parties to set out how they expect their market shares to develop over the next three years based on their on-going contracts as well as awarded contracts for future production.

¹⁶ Responses to question 3 of Q1 – Questionnaire to customers.

¹⁷ M.7174 - FEDERAL-MOGUL CORPORATION/ HONEYWELL FRICTION MATERIALS (2014); M.6183 – Mahle / Behr (2011), M.5862 – Mahle / Behr / Behr Industry (2010), M.4878 – Continental / Siemens VDO (2007) or M.2366 – Denso / MMC (2001).

¹⁸ Form CO, para. 206, 216 and 234.

¹⁹ Responses to question 7 of Q1 – Questionnaire to customers.

²⁰ Responses to questions 6 to 8 of Q1 – Questionnaire to customers.

Table 1: Individual and combined market shares in the EEA for the affected relevant products²¹

EEA (volume)	LV headliners			LV front overhead consoles			LV sun visors		
	'12	'14	'17	'13	'14	'17	'12	'14	'17
Grupo Antolin	[40-50]%	[30-40]%	[30-40]%	[20-30]%	[20-30]%	[20-30]%	[30-40]%	[30-40]%	[20-30]%
Magna Interiors	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[5-10]%	[0-5]%	[0-5]%	[0-5]%
Parties combined	[40-50]%	[30-40]%	[30-40]%	[30-40]%	[30-40]%	[30-40]%	[30-40]%	[30-40]%	[30-40]%
Motus Integrated	5-10%	5-10%	-			-	20-30%	10-20%	-
IAC	10-20%	10-20%	-			-			-
Hella	-	-	-	10-20%	5-10%	-			-
Howa Tramico	10-20%	10-20%	-			-			-
Industriale SUD	5-10%	5-10%	-			-			-
Others	0-15%	5-20%	-	50%-60%	50%-60%	-	35%-45%	40%-50%	-

Source: Form CO, parties' estimates

- (22) Based on the market share forecasts for the next three years provided by the parties, the share of the various affected plausible markets is unlikely to change significantly going forward. Both Grupo Antolin and Magna Interiors expect their market shares to remain stable, or be subject to a slight decrease, across the various affected markets.
- (23) Table 1 also shows that the proposed transaction only adds limited increments in Grupo Antolin's share of the affected markets. It is therefore unlikely that the proposed transaction will result in a significant change in Grupo Antolin's competitive strength. The results of the market investigation support that conclusion, as Magna Interiors is neither perceived as a very active player nor as particularly aggressive in the tenders for the supply of the products covered by the affected markets.²² Moreover, the parties' OEM customers consulted during the Commission's market investigation considered unanimously that Magna Interiors does

²¹ The parties' individual and combined shares of the plausible market for the manufacture and OEM/OES supply of LV overhead systems in the EEA are slightly lower than their shares of the various automotive interiors components markets: Grupo Antolin and Magna Interiors held respective value-based shares of [20-30]% and [0-5]% in 2014. In this plausible market, the parties would face competition from at least the same five players mentioned in Table 1 above.

²² Responses to questions 23 and 25 of Q2 – Questionnaire to competitors.

not constitute an indispensable supplier of any of the automotive interiors products on the affected markets.²³

- (24) The parties will furthermore continue to face, post completion of the proposed transaction, a significant number of competitors that are similar in size to Magna Interiors in each of the affected markets. The Notifying Party explained that in addition to the competitors referenced in Table 1, the parties will continue to face (i) Gumotex, Fompak and Shanghai Daimay in the market for the OEM/OES supply of LV sun visors (each having a market share of between five and ten per cent); and (ii) Olsa, Sidler (Flextronics), Fer Fahr, Odelo, Il-Heung and JCI in the market for the OEM/OES supply of LV front overhead consoles (each having a market share of between zero and five per cent). The market investigation also yielded support for the notion that the combined entity will, post-merger, continue to face significant competitive constraints, since a majority of the parties' OEM customers as well as of their competitors consider that the intensity of competition in the affected markets will either increase or remain the same as a result of the proposed transaction.²⁴
- (25) In addition, the parties' combined past, current and projected future shares of the various affected markets show a consistent downward trend. The Commission also confirmed that the parties are not particularly close competitors, as the vast majority of the parties' OEM customers consulted during the Commission's market investigation did not consider Magna Interiors a close competitor of Grupo Antolín in each of the affected markets.²⁵
- (26) Moreover, it appears that OEM customers are able to maintain competition during the lifetime of a vehicle platform by engaging in dual-sourcing, which enables them to switch demand among different suppliers during the vehicle production.²⁶
- (27) Equally, OEM customers often demand ad-hoc price reductions in addition to those foreseen in the initial supply contract.²⁷ In this regard, it is important to note that the parties have provided actual examples of OEMs having requested and secured price reductions that were not foreseen in the original supply agreements, both in relation to LV front overhead consoles ([...] secured a price reduction from Grupo Antolín in 2015) and in relation to LV headliners ([...] secured a price reduction from Grupo Antolín in 2014). The majority of the parties' competitors that responded to the Commission's market investigation confirmed in this respect that OEM customers can indeed, under the relevant supply agreements, obtain ad-hoc (i.e. not contractually pre-agreed) price revisions due to higher efficiencies throughout the lifetime of the vehicle platform.²⁸ These elements lend some support to the parties' claim that OEMs possess a degree of bargaining power

²³ Responses to question 11 of Q1 – Questionnaire to customers.

²⁴ Responses to question 30 of Q1 – Questionnaire to customers; and responses to question 30 of Q2 – Questionnaire to competitors.

²⁵ The majority of OEM customers does not list Magna Interiors as one of the five closest competitors to Grupo Antolín, not even in those cases where customers mention fewer than five competitors in total – Responses to questions 13-20 of Q1 – Questionnaire to customers.

²⁶ Responses to question 12 of Q1 – Questionnaire to customers.

²⁷ Responses to question 26 of Q1 – Questionnaire to customers.

²⁸ Responses to question 28 of Q2 – Questionnaire to competitors.

which would render it further unlikely that the proposed transaction gives rise to competition concerns.

- (28) What is more, the parties claim that the suppliers in the automotive interiors components are not capacity constrained.²⁹ Importantly, the Commission's market investigation provided some evidence for the existence of spare capacity as well as the ability for the competitors to increase their output in the short-term (i.e. one to two years) for the products covered by the affected markets.³⁰ This means that OEM customers will likely be able to re-allocate their demand among suppliers in order to maintain effective competition post- merger.
- (29) Finally, no competitive concerns were raised by the respondents to the Commission's market investigation in relation to the proposed transaction. Rather, the majority of both the parties' customers as well as their competitors that were consulted expected the intensity of competition in the various plausible affected markets for the OEM/OES supply of automotive interiors products (systems as well as components) to either remain the same or to increase as a result of the proposed transaction.³¹ At the same time, none of the respondents to the market investigation, neither the parties' competitors nor their customers expected the price level in the affected markets to increase as a result thereof.³²
- (30) In light of all of the foregoing, the Commission considers that the proposed transaction does not raise serious doubts as to its compatibility with the internal market in the various markets for the manufacture and OEM/OES supply of automotive interiors systems and components in the EEA.

6. CONCLUSION

- (31) 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 and Article 57 of the EEA Agreement.

For the Commission
(Signed),
Cecilia MALMSTRÖM
Member of the Commission

²⁹ Form CO, para. 327 and 330.

³⁰ Responses to questions 10 and 21 of Q2 – Questionnaire to competitors.

³¹ Responses to question 30 of both Q1 and Q2 – Questionnaire to customers and questionnaire to competitors.

³² Responses to question 31 of both Q1 and Q2 – Questionnaire to customers and questionnaire to competitors.