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EUROPEAN COMMISSION
DG Competition

Case M.7785 - TRITON / IMTECH NORDIC

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

Article 6(1)(b) NON-OPPOSITION
Date: 29/10/2015

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EUROPEAN COMMISSION

Brussels, 29.10.2015
C(2015) 7634 final

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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

To the notifying party

Dear Madam, Dear Sir,

Subject: M.7785 – TRITON / IMTECH NORDIC
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 25 September 2015, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EC) No 139/2004 by which Triton Managers IV Limited and TFF IV Limited in their capacity as general partners of Triton Fund IV, part of the Triton Group ('Triton', Channel Islands), acquire within the meaning of Article 3(1)(b) of the Merger Regulation control of the whole of Imtech Nordic Group N.V. ('Imtech Nordic', the Netherlands) by way of purchase of shares.³ Triton and Imtech Nordic are designated hereinafter 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 327, 3.10.2015, p. 9.

1. THE PARTIES AND THE OPERATION

- (2) Triton is a group of private equity funds and companies dedicated to investing in medium-sized businesses headquartered in Northern Europe, in particular in Austria, Germany, Switzerland and the five Nordic countries: Denmark, Finland, Iceland, Norway and Sweden. In particular, through its portfolio companies Logstor A/S ('Logstor') and Infratek ASA ('Infratek') respectively, Triton has activities in (i) the manufacturing and supply of pre-insulated pipes for district heating and cooling applications and (ii) the management and maintenance of electrical installations.
- (3) Imtech Nordic comprises the business of Dutch Royal Imtech N.V. in Finland, Norway and Sweden. Imtech Nordic specialises in the installation and management and maintenance of electrical, heating, ventilation and plumbing systems.
- (4) On 1 September 2015, the Parties signed a Share and Debt Sale Agreement pursuant to which Goldcup 11470 AB, an acquisition vehicle controlled by Triton, agreed to purchase all of the issued shares in Imtech Nordic and its direct and indirect subsidiaries. As a result of the transaction, Triton will thus acquire sole control over Imtech Nordic. Therefore the transaction constitutes a concentration within the meaning of Article 3(1)(b) of the Merger Regulation.

2. EU DIMENSION

- (5) The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 000 million (Triton EUR [...] million, Imtech Nordic EUR [...] million). Each of them has a Union turnover in excess of EUR 250 million (Triton EUR [...] million, Imtech Nordic EUR [...] million), and only Imtech Nordic achieves more than two-thirds of its aggregate Union turnover within one and the same Member State (namely [...]). The transaction therefore has a Union dimension within the meaning of Article 1(2) of the Merger Regulation.

3. COMPETITIVE ASSESSMENT

- (6) Imtech Nordic and Triton (through its portfolio company Infratek) are both active in the market for electrical installations in Finland, Norway and Sweden. However, this horizontal overlap does not give rise to any affected markets. Therefore, the horizontal overlap will not be further discussed in this Decision.
- (7) On the other hand, the transaction gives rise to vertically affected markets in view of Triton's presence (through its portfolio company Logstor) in the upstream market for the manufacture and supply of pre-insulated pipes (and more specifically pre-insulated pipes for district heating and cooling applications) and Imtech Nordic's activities in the downstream market for water and sanitation installations.

3.1. Relevant markets

- (8) In view of the above, the relevant product markets are: (i) the upstream market(s) for the production and sale of pre-insulated pipes (in particular pre-insulated pipes for district heating and cooling) and (ii) the downstream market(s) for water and sanitation installations.

3.1.1. *Market(s) for the production and sale of pre-insulated pipes*

3.1.1.1. Product market

- (9) The Commission has previously left the precise scope of the market for the production and sale of pre-insulated pipes open, however it identified the following potential sub-segments of this market: (i) pre-insulated pipes for district heating and district cooling applications, (ii) pre-insulated pipes for oil and gas, (iii) pre-insulated pipes for marine and (iv) pre-insulated pipes for industrial applications.⁴
- (10) The Parties submit that the precise product market definition can be left open as the transaction does not raise competition concerns under any plausible market definition.
- (11) It results from the Commission's investigation that the manufacturing process and technical know-how required for the production in particular of pre-insulated pipes for district heating and district cooling applications does not differ from those required for other end applications.⁵ Also, according to the majority of competitors of Logstor, the costs associated with the production of pre-insulated pipes for district heating and cooling applications are similar to those for different end applications.⁶ Therefore, from a supply side perspective, pre-insulated pipes for district heating and district cooling applications would appear to be substitutable with any other type of pre-insulated pipes. Nonetheless, suppliers of pre-insulated pipes appear to specialize and focus on specific sub-segments of the market. In fact, the majority of competitors of Logstor who responded to the Commission's questionnaire focus their offering on one or two of these sub-segments.⁷ From a demand point of view, there appears to be limited substitutability across pipes intended for different customer categories and applications, as demonstrated by the fact that suppliers' offers are highly specialised and differentiated across segments. As a result, it cannot be concluded if the overall market for pre-insulated pipes should indeed be segmented according to their end application. However the precise scope of the relevant product market for the production and sale of pre-insulated pipes can be left open as the transaction does not lead to competition concerns notwithstanding the product market definition.

3.1.1.2. Geographic market

- (12) In past decisions, the Commission left open the issue whether the market for pre-insulated pipes should be defined as EEA-wide, regional or national.⁸ The Parties submit that the geographic scope of the market for the production and sale of pre-insulated pipes is EEA-wide or at least regional (that is Northern Europe, Central Europe, Central Eastern Europe and the Balkans). They nonetheless provide market share data for all the plausible geographic markets (i.e. EEA, regional, national markets). The precise geographic market definition can be left open as the

⁴ Case No COMP/M.6922 – Triton/ Logstor, par. 21.

⁵ Responses to question 5 of Questionnaire Q2 – Competitors in pre-insulated pipes.

⁶ Responses to question 6 of Questionnaire Q2 – Competitors in pre-insulated pipes.

⁷ Responses to question 2 of Questionnaire Q2 – Competitors in pre-insulated pipes.

⁸ Case No COMP/M.6922 – Triton/ Logstor, par. 27.

transaction does not raise any competition concerns under any plausible market definition.

3.1.2. *Market(s) for water and sanitation installations*

3.1.2.1. Product market

- (13) In previous decisions, the Commission has found confirmation in the market investigation that installation, service and maintenance of water and sanitary installations could constitute a market separate from other technical installations (such as for instance electrical or ventilation).⁹ However ultimately the market definition was left open.
- (14) The Parties submit that the precise product market definition can be left open as the transaction does not raise any competition concerns under any plausible market definition. In addition to market shares for the market for water and sanitation installations, the Parties also provide estimates of their shares in the potential narrower sub segment of installation of district heating and cooling systems.¹⁰ For the purpose of this Decision the precise scope of the market for water and sanitation installations can be left open because the transaction does not lead to competition concerns even on the basis of the narrowest plausible market definition.

3.1.2.2. Geographic market

- (15) The Commission has in its previous decision considered the market for water and sanitation installations to be either national or local (narrower than national) in scope. The precise definition of the geographic market was left open.¹¹
- (16) For the purpose of this Decision the precise scope of the geographic market for water and sanitation installations can be left open because the transaction does not lead to competition concerns even on the basis of the narrowest plausible geographic market definition.

3.2. **Competitive assessment**

3.2.1. *Structure of the vertically affected markets*

- (17) Pre-insulated pipes for district heating and district cooling applications amount for [...] % of Logstor's EEA business. In the upstream market for pre-insulated pipes for district heating and cooling applications Logstor's market share in the EEA amounts to [30-40]%. As shown in Table 1 below Logstor has a strong position on the market in Finland (with a share of almost [50-60]%) and as well as in the Nordic region overall (market share of almost [40-50]%). Logstor's market shares also exceed [40-50]% in Sweden and [30-40]% in Norway.

⁹ Case COMP/M.3004-Bravida/Semco/Prenad/Totalinstallatören/Backlunds, paras. 14-15.

¹⁰ As it will be explained below, [...] Logstor's upstream activities in pre-insulated pipes concerns pre-insulated pipes for district heating and cooling systems.

¹¹ Case COMP/M.3004-Bravida/Semco/Prenad/Totalinstallatören/Backlunds, paras. 19-23.

- (18) In addition to Logstor, the following players are active in the market for pre-insulated pipes for district heating and cooling applications: Powerpipe with a strong position in Norway and Sweden (shares exceeding or equal to [40-50]%), Uponor Infra with a more significant position in Finland and Isoplus.

Table 1: Revenue market shares in 2014 for pre-insulated pipes for district heating and cooling

Pre-insulated pipes for district heating and cooling	Finland	Norway	Sweden	Nordics ¹²
Logstor	[50-60]%	[30-40]%	[40-50]%	[40-50]%
Powerpipe	-	[40-50]%	[40-50]%	[20-30]%
KWH/Uponor Infra	[20-30]%	[5-10]%	[5-10]%	[10-20]%
Isoplus	-	[10-20]%	[5-10]%	[0-5]%
Other	[10-20]%	[5-10]%	[5-10]%	[10-20]%

Source: Form CO.

- (19) In the downstream market Imtech Nordic is active solely in Finland, Norway and Sweden. Its market share in the overall market for water and sanitation installations is below [0-5]% both in Finland and in Norway and below [5-10]% in Sweden. The Parties submit that also in the potential narrower market for installation of district heating systems (in which the vertical relationship arises) the market shares of Imtech Nordic would be similar, in particular because installation of district heating systems accounts for less than [...] % of Imtech Nordic's business in each of Sweden, Finland and Norway. By the same token, according to the Parties, these market shares also reflect the position of Imtech Nordic on a local (narrower than national) level, in particular because its main competitors have similar geographic coverage to that of Imtech Nordic. According to the Parties in all three Nordic countries 60-80% of the market share is to be attributed to a significant number of local and regional service providers.

Legal framework

- (20) According to the non-horizontal Guidelines, non-coordinated effects may significantly impede effective competition as a result of a non-horizontal merger if such merger gives rise to foreclosure. Foreclosure occurs where actual or potential rivals' access to supplies or markets is hampered or eliminated as a result of the merger, thereby reducing these companies' ability and/or incentive to compete. Such foreclosure may discourage entry or expansion of rivals or encourage their exit.
- (21) The non-horizontal Guidelines distinguish between two forms of foreclosure. Input foreclosure occurs where the merger is likely to raise the costs of downstream rivals by restricting their access to an important input. Customer foreclosure occurs where the merger is likely to foreclose upstream rivals by restricting their access to a sufficient customer base.

¹² Finland, Norway and Sweden combined.

No input foreclosure effects

- (22) According to the Parties, the transaction does not raise any competition concerns due to the marginal presence of Imtech Nordic in the downstream market for water and sanitary installations and the fact that Imtech Nordic's purchases represent less than [...]% of Logstor's pre-insulated pipes. The Parties also argue that in the upstream market for pre-insulated pipes alternative suppliers would remain available (such as KWH and Isoplus) and switching pre-insulated pipes is easy for the customers given that they usually purchase them on a project-by-project basis. Furthermore, the Parties submit that a supply relationship between the Parties already exists, because Logstor is Imtech Nordic's [...] supplier of pre-insulated pipes in Finland and Sweden and supplies [...]% of Imtech Nordic's pre-insulated pipes requirements in Norway.
- (23) While the position of Logstor as supplier of input, namely pre-insulated pipes for district heating and cooling applications, is not insignificant, there are other alternative providers of this input such as Powerpipe, KWH/Uponor and Isoplus. As noted by the Parties, the pipe systems are provided for particular projects and this facilitates switching between suppliers for different projects. Changing suppliers should also not be problematic in view of the spare capacity in the market for pre-insulated pipes, including pipes for district heating and cooling applications, which was confirmed by the respondents to the Commission's questionnaire.¹³ Furthermore, among those providers of water and sanitation installations who responded to the Commission's questionnaire, none considered that there are an insufficient number of alternative suppliers of pre-insulated pipes or pre-insulated pipes for district heating and cooling applications.¹⁴ One of the players in the market for sanitation and water installations noted that they source from wholesalers such as Onninen, LVI-Dahl or Ahlsell.¹⁵ Also a majority of respondents confirmed that they could easily and without incurring high additional costs switch to a new supplier of pre-insulated pipes.¹⁶
- (24) Finally, the competitors of Imtech Nordic (and thus potential customers of Logstor) in the downstream market considered that the transaction will have no impact, either on their business or on the markets in which they operate.¹⁷

No customer foreclosure effects

- (25) As regards the potential customer foreclosure, in view of the fact that Logstor already supplies [...] of Imtech Nordic's needs for pre-insulated pipes in Finland and Sweden and [...]% of their needs in Norway, the transaction would de facto not significantly alter the existing market structure. Furthermore, the fact that

¹³ Responses to questions 7 and 8 of Questionnaire Q2 – Competitors in pre-insulated pipes.

¹⁴ Responses to questions 4, 5 of Questionnaire Q1 – Competitors in installation of water and sanitation installations.

¹⁵ Response to question 6.1 of Questionnaire Q1 – Competitors in installation of water and sanitation installations.

¹⁶ Responses to question 7 of Questionnaire Q1 – Competitors in installation of water and sanitation installations.

¹⁷ Responses to question 8 of Questionnaire Q1 – Competitors in installation of water and sanitation installations.

Imtech Nordic's market share in the downstream market is not substantial implies that competitors of Logstor have numerous other customers for their pre-insulated pipes. This was also confirmed in the course of Commission's investigation since the majority of Logstor's competitors do not view Imtech Nordic as an important customer of pre-insulated pipes.¹⁸

Conclusion

- (26) Finally, no substantiated concerns were raised as to the impact of the transaction on the upstream market for pre-insulated pipes and/or the downstream market for water and sanitation installations.¹⁹
- (27) In light of the above, the Commission concludes that the transaction does not raise concerns as to possible input foreclosure or customer foreclosure on either of the relevant markets.

4. CONCLUSION

- (28) 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)
Andrus ANSIP
Vice-President of the Commission*

¹⁸ Responses to question 9 of Questionnaire Q2 – Competitors in pre-insulated pipes.

¹⁹ Responses to question 10 of Questionnaire Q2 – Competitors in pre-insulated pipes and question 8 of Questionnaire Q1 – Competitors in installation of water and sanitation installations.