



EUROPEAN COMMISSION
DG Competition

***Case M.8121 - TRITON /
FLÄKT WOODS***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 22/09/2016

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EUROPEAN COMMISSION

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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

To the notifying party

Dear Sir/Madam,

**Subject: Case M.8121 – TRITON / FLÄKT WOODS
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 19 August 2016, the European Commission received notification of a proposed concentration pursuant to Article 4 of the Merger Regulation by which the undertakings Triton Managers IV Limited and TFF IV Limited, 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 the undertaking Fläkt Woods group ("Fläkt Woods") via its holding company Stromboli Investissements SAS (France) by way of purchase of shares (the "Transaction").³ Triton and Fläkt Woods are hereinafter 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 311, 26.08.2016, p. 6.

1. THE PARTIES AND THE OPERATION

- (2) Triton is a group of independent European 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, with a focus on businesses in three core sectors: Business Services, Industrials and Consumer/Health. Its portfolio companies include, *inter alia*, DencoHappel GmbH and Assemblin AB active in the heating, ventilation and air conditioning ("HVAC") systems business area.
- (3) DencoHappel GmbH (including its subsidiaries "DencoHappel") is a company headquartered in Herne, Germany, and active in the field of air treatment, air conditioning, and filter technology as well as air cooling process for non-residential use. It provides customized heating, ventilation, and air conditioning treatments as well as maintenance services.
- (4) Assemblin AB (including its subsidiaries "Assemblin"), is a company specializing in the installation and management of electrical heating, ventilation and plumbing systems with operations based in Northern Europe.
- (5) Fläkt Woods develops, manufactures and markets air technology solutions providing indoor air comfort and fire safety for a wide range of applications, mainly for non-residential use.
- (6) On 15 June 2016, the Parties signed a Share and Purchase Agreement pursuant to which Triton, through an acquisition vehicle, agreed to purchase all of the shares issued in Stromboli Investissements SAS, the holding company of Fläkt Woods. As a result of the Transaction, Triton will thus acquire sole control over Fläkt Woods.
- (7) The Transaction therefore constitutes a concentration within the meaning of Article 3(1) b of the Merger Regulation.

2. UNION DIMENSION

- (8) The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 000 million⁴ (Triton: EUR [...] million; Fläkt Woods: EUR [...] million). Each of them has a Union-wide turnover in excess of EUR 250 million (Triton: EUR [...] million; Fläkt Woods: EUR [...] million), but they do not achieve more than two-thirds of their aggregate Union-wide turnover within one and the same Member State. The notified operation therefore has a Union dimension.

3. COMPETITIVE ASSESSMENT

3.1. Horizontal, vertical and conglomerate relationships of the Parties' activities.

- (9) The Parties' activities in the EEA overlap in the production and supply of (i) air handling units and (ii) fan coils, as well in the provision of (iii) maintenance services for HVAC services. Affected markets arise only in relation to air handling units for non-residential use in certain national markets.

⁴ Turnover calculated in accordance with Article 5 of the Merger Regulation and the Commission Consolidated Jurisdictional Notice (OJ C 95, 16.4.2008, p. 1).

- (10) The Transaction also leads to vertical relationships between:
- (i) Fläkt Woods' upstream activities in fans, dampers and energy recovery devices and DencoHappel's downstream activities in air handling units,
 - (ii) Fläkt Woods' upstream activities in air handling units, ducts, fans, air diffusers, chilled beams, energy recovery units and dampers and Assemblin's downstream activities in the installation and maintenance of HVAC systems in Northern Europe, and
 - (iii) DencoHappel's upstream activities in the production and supply of fan coils and Fläkt Woods' downstream activities in the sale of fan coils.
- (11) Vertically affected markets arise only in relation to fans (and its potential sub-segment centrifugal fans) used in air-handling units and only on hypothetically national markets.
- (12) Different HVAC products (such as air handling units, fan coils, chillers, precision air conditioners and other) may be purchased by the same customers at the same time. In that context, the Parties submit that DencoHappel sometimes sells those different products as bundles to the same customers. The Commission has therefore also assessed the potential conglomerate relationships between the Parties' products.

3.2. Market definitions

3.2.1. Product market definitions

3.2.1.1. *Downstream market: air handling units for non-residential use*

- (13) Air handling units are devices used to regulate and circulate air as part of an HVAC system. They typically consist of a fan and air-filtration system and are used to distribute treated (cooled / heated) air inside the building.⁵ Air handling units are not an alternative to HVAC systems, but rather a complement that can be added particularly to a medium commercial or heavy commercial and industrial HVAC system.



Figure 1 Picture of an air handling unit, Form CO, paragraph 71

- (14) The Commission has previously considered a distinct product market for air handling units, as customers indicated that they source air handling units separately from other HVAC products and there are a number of suppliers that concentrate on

⁵ M.7375 – UTC /CIAT, para. 17

those products rather than HVAC systems in general. Nonetheless the market definition was ultimately left open.⁶

- (15) The Parties explain that, similarly to the Commission's decisional practice regarding the air-conditioning segment,⁷ a segmentation of air handling units according to the scope of their application could possibly be considered into sub-segments for residential and non-residential use. The Parties make reference to Commission Regulation No 1253/2014 concerning ventilation units⁸ in which the Commission distinguishes between residential ventilation units with a maximum flow rate of 250m³/h (or where the maximum flow rate is between 250 and 1000m³/h and the manufacturer declares its intended use being exclusively for a residential ventilation application) and non-residential ventilation units with a maximum flow rate exceeding 250m³/h (or where the maximum flow rate is between 250 and 1000m³/h and the manufacturer has not declared its intended use as being exclusively for a residential ventilation application).
- (16) Nevertheless, the Parties submit that such a sub-segmentation would not be appropriate since for the flow rate between 250 and 1000m³/h the final application scope depends on the respective declaration of the manufacturer (so-called "hybrid" units). Therefore, from the Parties' perspective, a rigid differentiation between non-residential and residential air handling units would not reflect the market reality, neither from the supply- nor from the demand-side perspective.
- (17) The majority of respondents to the market investigation confirmed that air handling units for non-residential use are a separate market from the air handling units for residential use for reasons such as different technical parameters (flow rate, capacity, energy, size), different regulations and different suppliers.⁹ With regards to rooftops units, the market investigation was inconclusive whether they are substitutable with air handling units.¹⁰

3.2.1.2. *Upstream market: fans*

- (18) Fans are HVAC elements which are used for air movement. There are various types of fans, such as centrifugal fans, axial fans, plug fans, roof fans or duct and box fans. Fans are mainly selected by customers based on required air volume flow and static pressure as well as secondary on energy efficiency and sound.
- (19) The Commission has not yet analysed the potential market for fans for HVAC systems. The Parties submit that fans are a separate market from HVAC and that all

⁶ M.7375 – *UTC/CIAT*, para. 18, 19.

⁷ M.7375 – *UTC/CIAT*; M.4750 – *Luvata/Eco*; M.1433 – *Carrier Corporation/Toshiba*; M.2536 – *Fabricom/Sulzer*; M.7538 – *Knorr Bremse/Vossloh*; COMP/M.7564 – *Mahle Behr/Delphi Thermal Systems BUSINESS*. The cited decision practice relates to various aspects of HVAC systems, mainly to air conditioning.

⁸ Commission Regulation (EU) No 1253/2014 of 7 July 2014 implementing Directive 2009/125/EC of the European Parliament and of the Council with regard to ecodesign requirements for ventilation units.

⁹ Replies to question 7 of Q2-Questionnaire to Competitors and question 5 of Q1-Questionnaire to Customers.

¹⁰ Replies to question 8 of Q2-Questionnaire to Competitors and question 6 of Q1-Questionnaire to Customers.

types of fans, including centrifugal and axial fans, which are used in HVAC systems, comprise an overall product market for fans for HVAC systems. This is mainly because, according to the Parties, there is a high degree of substitutability since the same technology can be generally used for all types of fans for HVAC systems without any significant additional costs or risks and the choice of customers between axial and centrifugal technology is driven by the design of the product or system in which the fan will be integrated. In this regard, the Parties put forward that the selection of the type of fan is mainly based on the air flow rate, pressure stability and sound requirements. DencoHappel, like other manufacturers, predominantly uses centrifugal fans in its air handling units.

3.2.1.3. *Conclusion on product market definitions*

- (20) It is not necessary to conclude on the exact product market definitions as the Transaction does not give rise to serious doubts as to its compatibility with the internal market under any plausible product market definition.

3.2.2. Geographic market definition

3.2.2.1. *Downstream market: air handling units for non-residential use*

- (21) In previous decisions, the Commission has considered the geographical scope for air handling units to be regional or even national but left the precise geographic market definition open.¹¹
- (22) The Parties submit that the geographic scope should be regional since customers generally do not have national preferences for the products. Furthermore, the Parties claim that while there are some minor technical differences between air handling units in Southern and Northern Europe due to varying climate conditions, these differences do not exist in neighboring countries. Moreover, the Parties and the Parties' main competitors have concentrated their production facilities in the EEA at a limited number of locations from where they transport supplies to numerous countries.
- (23) The Parties submit that the following regions could be defined: (i) Eastern Europe (Czech Republic, Hungary, Poland, Slovak Republic, Romania, Lithuania, Latvia, Estonia), (ii) Northern Europe (Denmark, Finland, Sweden, Norway), (iii) British Islands (UK, Ireland), (iv) Central and Western Europe (Austria, Belgium, France, Germany, Luxembourg, The Netherlands, Liechtenstein), and (v) Southern Europe (Bulgaria, Cyprus, Italy, Croatia, Spain, Greece, Malta, Portugal, Slovenia).¹²
- (24) A bare majority of the customers that responded to the the Commission's market investigation confirmed that they purchase air handling units in the same country where their company is located, while the rest of the customers indicated that they source air handling units either cross border regional or all over the EEA. The

¹¹ M.7375 – UTC /CIAT.

¹² These regions refer to the different climate zones as defined by the Köppen-Geiger classification of climate zones.

majority of the competitors confirmed that they sell air handling units either at regional or EEA level.¹³

3.2.2.2. *Upstream market: fans*

- (25) The Parties submit that the geographic scope for fans is EEA-wide for the following reasons: (i) the vast majority of fan manufacturers have only one production facility in the EEA from which they supply their fans to customers, (ii) fans are relatively small products which can be easily transported over long distances (transportation costs comprise less than 5% of the overall production costs), (iii) there are no technological or regulatory barriers which would prevent the transport or the supply of fans in the EEA, and (iv), the customers source their fans typically also on an EEA-wide basis.

3.2.2.3. *Conclusion on geographic market definitions*

- (26) It is not necessary to conclude on the exact geographic market definitions as the Transaction does not give rise to serious doubts as to its compatibility with the internal market under any plausible geographic market definition.

3.3. Competitive assessment of affected markets

3.3.1. Horizontal overlaps: air handling units for non-residential use

- (27) The Parties' activities in the EEA overlap in the production and supply of (i) air handling units and (ii) fan coils, as well in the provision of (iii) maintenance services for HVAC services. Affected markets arise only in relation to air handling units for non-residential use in certain national markets. No affected markets arise with respect to an overall market for air handling units which would include air handling units for both residential and non-residential use.
- (28) As regards the methodology for calculating market shares, the Parties' analysis for air handling units is mainly based on market studies of Europe's Industry Association for Indoor Climate (HVAC), Process Cooling, and Food Cold Chain Technologies ("Eurovent"). However, the Parties point to certain shortcomings of the Eurovent data. First, the Eurovent study 2015 only takes into account the turnover figures of the suppliers that are members of Eurovent and then extrapolates the overall market size. Thus, for each of the countries, the Parties have extrapolated the overall national market size for 2013 and 2015 with an estimated ratio between the collected market data and the estimated real market as applied by Eurovent for 2014, assuming that same ratio is also applicable for 2013 and 2015. Second, the Eurovent studies do not include turnover achieved with the sale of the so-called "hybrid" air handling units, although those devices may potentially be used for non-residential purposes. The Parties did not correct the Eurovent figures to include additional "hybrid" air handling unit sales.
- (29) Based on the regions proposed by the Parties, the Transaction does not lead to affected markets since the highest joint market share would be [10-20]% in Northern Europe (with an increment of [0-5]% through DencoHappel).

¹³ Replies to question 5 of Q2-Questionnaire to Competitors and question 4 of Q1-Questionnaire to Customers.

- (30) At the national level, the Parties submit that the Transaction leads to seven national affected markets for air handling units for non-residential use: Belgium, Czech Republic, Estonia, Latvia, Ireland, Finland and Sweden. The Parties' combined market shares range from [20-30]% (Czech Republic) to [40-50]% (Belgium) with increments from [0-5]% to [5-10]%. Due to the *de minimis* nature of the increment in Belgium ([0-5]%) and Sweden ([0-5]%), competition concerns can be excluded. Those markets will therefore not be discussed further in this decision.

Table 1: The Parties' sales and market shares by value (2015)

Country	Overall market (EUR millions)	Sales (EUR)		Market shares (%)			Competitors
		Fläkt Woods	DH ¹⁴	Fläkt Woods	DH	Combined	
Belgium	47 713	[...]	[...]	[0-5]%	[40-50]%	[40-50]%	Munters ([20-30]%), Systemair ([10-20]%), Swegon ([10-20]%)
Czech Republic	24 944	[...]	[...]	[5-10]%	[10-20]%	[20-30]%	Remak ([20-30]%), Janka ([20-30]%), VTS ([5-10]%), Wolf Heiztechnik ([5-10]%), Robotherm ([5-10]%)
Estonia	4 195	[...]	[...]	[20-30]%	[5-10]%	[30-40]%	Amalva ([10-20]%), Systemair ([10-20]%), VTS ([10-20]%) and Salda ([10-20]%)
Finland	41 624	[...]	[...]	[30-40]%	[0-5]%	[30-40]%	Koja ([20-30]%), Recair ([5-10]%), IV Produkt ([5-10]%), Salda ([5-10]%), Swegon ([5-10]%), Systemair ([5-10]%) and Wolf Heiztechnik ([5-10]%)
Ireland	28 955	[...]	[...]	[20-30]%	[0-5]%	[20-30]%	Danann ([10-20]%), RMI ([10-20]%), JCI Europe ([10-20]%), Mark Climate ([10-20]%), Saiver ([10-20]%), Trane ([10-20]%)
Latvia	5 127	[...]	[...]	[30-40]%	[5-10]%	[30-40]%	Amalva ([10-20]%), Systemair ([10-20]%), VTS ([10-20]%) and Salda ([10-20]%)
Sweden	140 782	[...]	[...]	[20-30]%	[0-5]%	[20-30]%	IV Produkt ([20-30]%), Systemair ([10-20]%), Swegon ([10-20]%)

Source: Eurovent / Parties' best estimates

- (31) The Parties submit that the Transaction does not raise competitive concerns for the following reasons: (a) the Parties' combined market share would be significantly smaller if also "hybrid" air handling units, that is to say those not clearly identified as air handling units for non-residential use, were considered in the above market data given the limited activities of the Parties in this segment, (b) other ventilation products (such as rooftop units) also exert competitive pressure on the Parties' products, (c) the Parties are not close competitors and customers can easily switch to other suppliers, and (d) in some of the countries, the market share increment is relatively small.
- (32) None of the customers contacted in the market investigation have raised concerns regarding the impact of the Transaction on the market for air-handling units for non-residential units or any other HVAC products. To the contrary, a minority of the customers have indicated that the Transaction will have a positive impact on

14 DH refers to DencoHappel.

competition in the market for air handling units in terms of better quality, service, and new and wider product portfolio.¹⁵

- (33) Given the limited joint market shares of the Parties post-merger, the presence of other competitors in the market and the lack of concerns raised by customers in the market investigation, the Transaction does not raise serious doubts as to its compatibility with the internal market as regards the market for air handling units for non-residential use.
- (34) As regards the overlaps in Latvia and Estonia more specifically, where the Parties' joint market shares are around [30-40]%, no competition concerns arise for the reasons set out in paragraphs (35) to (37).
- (35) None of the customers from Latvia and Estonia that replied to the Commission's market investigation raised any competition concerns or indeed identified any negative effects of the Transaction. Two Latvian customers in particular commented on the positive effects of the Transaction: "*quality measures will be better*" and "*Possible development of new products and a wider range*".¹⁶ The competitors that replied to the Commission's market investigation also did not expect the Transaction to have any effect on competition in the market for air handling units.
- (36) The Parties will continue to face competitive pressure from international competitors in both Estonia and Latvia. For instance, Systemair (approx.[10-20]% in each of Estonia and Latvia) is a manufacturer of HVAC products with operations in more than 40 countries globally and in 20 countries in the EEA. VTS (approx.[10-20]% in each of Estonia and Latvia) delivers its products to 40 countries globally and more than 10 countries in the EEA. Salda (approx.[10-20]% in each of Estonia and Latvia) produces air handling units and fans among other HVAC products and is active in more than 30 countries.
- (37) The Parties estimate that they face competitive pressure from the same competitors in the Baltic states. Moreover, the climatic conditions in the three Baltic states are comparable. This could indicate that the Baltic states may face similar competitive conditions in air handling units and may have to be considered as one geographic market. In that market, the Parties' joint market share would be [20-30]% according to the Parties' estimates due to the Parties' more limited market position in Lithuania (at [10-20]%).

3.3.2. Vertical relationships

- (38) The Transaction also leads to vertical relationships between:
- (i) Fläkt Woods' upstream activities in fans, dampers and energy recovery devices and DencoHappel's downstream activities in air handling units,
 - (ii) Fläkt Woods' upstream activities in air handling units, ducts, fans, air diffusers, chilled beams, energy recovery units and dampers and Assemblin's downstream

¹⁵ Replies to questions 10 and 11 of Q1-Questionnaire to customers.

¹⁶ Replies to questions 11 of Q1-Questionnaire to customers

activities in the installation and maintenance of HVAC systems in Northern Europe, and

(iii) DencoHappel's upstream activities in the production and supply of fan coils and Fläkt Woods' downstream activities in the sale of fan coils.

- (39) Vertically affected markets arise only in relation to fans (and its potential sub-segment centrifugal fans) used in air-handling units and only on hypothetically national markets.

3.3.2.1. *Upstream markets: fans*

- (40) The total EEA market for centrifugal fans was EUR [...] million¹⁷ in 2015 representing approximately [10-20]% of the total market for overall fans (EUR [...] million¹⁸). Fläkt Woods estimates that its market shares for either overall fans or centrifugal fans at EEA level is less than [10-20]%. Fläkt Woods' sales of centrifugal fans to DencoHappel, which is the type of fan DencoHappel uses in its air handling units, amounted to only EUR [...] corresponding to less than [5-10]% of its overall sales for fans. Vice versa, purchases of DencoHappel from Fläkt Woods regarding centrifugal fans represent less than [5-10]% of DencoHappel's purchases of this product group at EEA level.
- (41) Affected upstream markets for fans would arise only at the hypothetical national level due to Fläkt Woods' market shares for all types of fans of [30-40]% in Finland [centrifugal fans: [20-30]%) and in the United Kingdom [centrifugal fans: [10-20]%).
- (42) As regards potential input foreclosure concerns, Fläkt Woods would not be able to divert all of its sales of fans to DencoHappel because [...]. Should Fläkt Woods try to restrict access to fans, air handling manufacturers could purchase a greater share of fans from other competitors active in the upstream market such as Systemair, Exhausto, Novema, Helios, Lindab, Teddington which are active in Northern Europe and the British Isles. In addition, given DencoHappel's low demand for centrifugal fans in the affected markets, there is unlikely to be an incentive for Fläkt Woods to limit supplying other customers with fans.

3.3.2.2. *Downstream markets: air handling units for non-residential use*

- (43) The market shares of the Parties in air handling units for non-residential use are set out above in section 3.3.1. The Parties achieve a joint market share of more than [30-40]% in each of Belgium, Estonia, Finland and Latvia. Fläkt Woods was already a vertically integrated company supplying fans and air handling units prior to the Transaction.
- (44) As regards potential customer foreclosure concerns due to the addition of DencoHappel, DencoHappel is not a significant purchaser of fans. The Parties have calculated DencoHappel' share in the purchase of centrifugal fans – which is the type of fan DencoHappel uses in its air handling units and therefore the narrowest relevant market for this assessment – on the basis of two different methods taking

¹⁷ Fläkt Woods' market size estimates.

¹⁸ According to DencoHappel, the total market size of fans in the EEA was EUR [...].

into account several sources of data available. DencoHappel's national market shares in the markets for the purchase of centrifugal fans remain in all cases below [10-20]%¹⁹ even in potential national markets which allows to exclude potential customer foreclosure effects brought about by the Transaction.

3.3.2.3. *Conclusion on the vertical links*

(45) In view of the analysis set out in paragraphs (40) to (43), the merged entity is unlikely to have the ability or incentive to engage in foreclosure strategies in respect of air handling units or fans (and its sub-segment centrifugal fans). The Commission therefore concludes that the Transaction does not give rise to serious doubts in relation to the vertical relationship between air handling units for non-residential use and fans (and its sub-segment centrifugal fans).

3.3.2.4. *Conglomerate relationships*

(46) The Parties submit that DencoHappel sometimes sells its different products (e.g. air handling units, fan coils, chillers, precision air conditioner, etc.) as bundles. However, the Parties explain that tender proceedings rather request proposals for separate products. According to the Parties, even in cases where DencoHappel sells bundled products, prices and conditions are still based on that separate approach and discounts granted for the purchase of product bundles are rather marginal.

(47) The vast majority of customers that responded to the Commission's market investigation indicated that they see advantages in sourcing together integrated solutions incorporating air handling units, fan coils, chillers and/or precision air conditioners from the same supplier such as better prices and payment conditions and reduced administrative burden. Also the vast majority of suppliers are of the view that it is advantageous to supply together integrated solutions, for reasons such as efficiency and time optimization.²⁰ Nevertheless, customers demand suppliers to provide a full price breakdown for each element, so they can determine the commercial viability of combining orders for different equipment.²¹

(48) DencoHappel already offers integrated solutions to its customers. In addition, the Parties' competitors also offer or are able to offer integrated solutions to their customers, therefore it is unlikely that post-Transaction, the merged entity would have any competitive advantage compared to the situation pre-merger or compared to other market participants in this respect.

(49) In light of the above, the Commission concludes that the Transaction does not give rise to serious doubts in relation to the possible conglomerate effects of the Transaction.

¹⁹ See email of the representatives of the Parties of 14 September 2016, 14:13 and annex "DencoHappel 195082-4-21774v0.5.xlsx"

²⁰ Replies to question 11 of Q2-Questionnaire to Competitors.

²¹ Replies to question 10 of Q1-Questionnaire to Customers.

4. CONCLUSION

- (50) 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)

Margrethe VESTAGER

Member of the Commission