



EUROPEAN COMMISSION  
DG Competition

*Case M.8877 -  
LYONDELLBASELL  
INDUSTRIES / A  
SCHULMAN*

Only the English text is available and authentic.

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

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Article 6(1)(b) NON-OPPOSITION  
Date: 27/06/2018

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## 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 Where possible the information omitted has been replaced by ranges of figures or a general description.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, 27.6.2018  
C(2018) 4142 final

PUBLIC VERSION

To the notifying party:

**Subject: Case M.8877 – LYONDELLBASELL INDUSTRIES / A SCHULMAN**  
**Commission decision pursuant to Article 6(1)(b) of Council Regulation No 139/2004<sup>1</sup> and Article 57 of the Agreement on the European Economic Area<sup>2</sup>**

Dear Sir or Madam,

- (1) On 23 May 2018, the European Commission received notification of a proposed concentration pursuant to Article 4 of the Merger Regulation by which LyondellBasell Industries N.V. ("LyondellBasell") acquires within the meaning of Article 3(1)(b) of the Merger Regulation sole control of the whole of A. Schulman ("Schulman") ("the Transaction")<sup>3</sup>. LyondellBasell is designated hereinafter as "the Notifying Party" and LyondellBasell and Schulman together as the "Parties".

### 1. THE PARTIES

- (2) LyondellBasell is a vertically integrated, global plastics, chemicals and refining company, headquartered in the Netherlands. LyondellBasell operates throughout the petrochemical production chain to produce materials and products that are key to advancing solutions to modern challenges, such as enhancing food safety through lightweight and flexible packaging, protecting the purity of water

<sup>1</sup> 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.

<sup>2</sup> OJ L 1, 3.1.1994, p. 3 (the 'EEA Agreement').

<sup>3</sup> Publication in the Official Journal of the European Union No C 185 30.5.2018, p. 9.

supplies through stronger and more versatile pipes and improving the safety, comfort and fuel efficiency of many of the cars and trucks on the roads.

- (3) Schulman is an international supplier of high-performance plastic compounds, composites and resins, headquartered in Ohio, United States. Schulman serves customers across a wide range of industries around the world.

## **2. THE OPERATION**

- (4) The Transaction will be implemented pursuant to the terms and conditions set out in an agreement and plan of merger between LyondellBasell, its wholly owned subsidiary LyondellBasell Americas Holdco Inc ("Merger Sub") and Schulman, dated 15 February 2018 ("the Merger Agreement") and related documentation. Under that Merger Agreement, Merger Sub and Schulman will merge. Each share in Merger Sub is then converted into a share of the merged entity and will constitute the only outstanding shares of the merged entity immediately after closing.
- (5) LyondellBasell will therefore become the sole shareholder of Schulman, acquiring sole control of Schulman within the meaning of Article 3(1)(b) of the EU Merger Regulation.

## **3. EU DIMENSION**

- (6) The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 000 million<sup>4</sup> (LyondellBasell: EUR [...] million and Schulman: EUR [...] million). Each of them has an EU-wide turnover in excess of EUR 250 million (LyondellBasell: EUR [...] million and Schulman: EUR [...] million), but they do not achieve more than two-thirds of their aggregate EU-wide turnover within one and the same Member State. The notified operation therefore has an EU dimension.

## **4. RELEVANT MARKETS**

- (7) The Parties are both active in the production and sale of polypropylene ("PP") compounds.
- (8) In addition, the transactions leads to vertically affected markets due to the Parties' downstream position in the production and sale of PP compounds,<sup>5</sup> and:
  - (a) LyondellBasell's upstream production and sale of PP resins; and
  - (b) Schulman's upstream production and sale of masterbatches.

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<sup>4</sup> Turnover calculated in accordance with Article 5 of the Merger Regulation.

<sup>5</sup> The Transaction leads to other vertical relations between the Parties' activities. However, these vertically related markets are not affected by the Transaction, since the Parties' market shares on all plausible market definition are below 30%.

## 4.1. Product market definition

### 4.1.1. PP Compounds

#### 4.1.1.1. Product market

- (9) PP compounds are produced from a blend of PP resins and other additives, which confer desired characteristics to the final product. In previous decisions<sup>6</sup>, the Commission considered a distinction between PP resins and PP compounds.
- (10) PP compounds are bought by a wide range of industrial customers to be incorporated in a very wide range of downstream products. Customers include *inter alia* automotive original equipment manufacturers (OEMs), appliance manufacturers, furniture manufacturers, and aerospace manufacturers. In a previous decision, the Commission assessed whether within the market for PP compounds there would be a segment for the automotive industry<sup>7</sup>. Ultimately, the Commission left open the product market definition.
- (11) The Notifying Party submits that the competitive dynamics relating to the production and sale of PP compounds do not differ between different industry applications such as to warrant considering these as separate markets.
- (12) According to the respondents in the market investigation, large PP compounds manufacturers generally supply PP compounds to all industries.<sup>8</sup> There are, however, some exceptions and some PP compounds manufacturers have a strong focus and even activities exclusively with the automotive industry.<sup>9</sup> One customer confirmed that due to the specificities of the automotive market, certain PP compound manufacturers have a strong link with the automotive sector (i.e. long-term commercial relations with OEMs and OEM endorsements and qualifications).<sup>10</sup>
- (13) The Commission's review of the Parties' internal documents has also indicated that both Parties distinguish between PP compound market segments based on the industry application for their internal reporting and gathering of market intelligence.<sup>11</sup>
- (14) In any event, for the purpose of the present case, the precise product market definition for PP compounds and in particular whether there is a distinct market for the automotive industry can be left open in this case, since the transaction does not raise serious doubts as to its compatibility with the internal market regardless of the exact product market definition.

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<sup>6</sup> M.4848 Basell/Lyondell, para 9, M.4426 SABIC/Huntsman Petrochemicals UK, para 14, M.2806 SABIC/DSM Petrochemicals, para 13.

<sup>7</sup> M.3733 Dow / DDE, para 22

<sup>8</sup> See for example minutes of the conference call with Competitor 1 dated 1 June 2018.

<sup>9</sup> See for example minutes of a conference call with Competitor 2 dated 1 June 2018.

<sup>10</sup> Minutes of a conference call with a customer dated 1 June 2018.

<sup>11</sup> Annex 11 to the notification, [...] (LyondellBasell); Annex 40 to the Notification – [...] (LyondellBasell); Submission by the Parties of 5 June 2018, [...] (A.Schulman)

#### 4.1.1.2. Geographic market definition

- (15) In its previous decisions, the Commission considered that the market for PP compounds could be EEA-wide or limited to Western Europe<sup>12</sup>. In more recent cases, the geographic market definition was left open<sup>13</sup>.
- (16) The Notifying Party submits that the geographic market for PP compounds is at least EEA-wide. The Notifying Party refers to the absence of trade barriers between EEA countries following the enlargement of the European Union to Eastern European countries and the ease by which PP compounds can be transported in bulk or in packaged form throughout the EEA. According to the Notifying Party, transport costs in the EEA are relatively low and represent less than 5% of the total costs for consumers.
- (17) The results of the market investigation in this case confirmed the Notifying Party's view that the market is at least EEA-wide, and that a distinction by sub-regions such as Western Europe only would not be relevant. According to the respondents, PP compound suppliers are active at least on an EEA level. Whether the PP manufacturer's plant is located in Eastern or Western Europe is indifferent, so that a distinction by sub-regions in the EEA is not relevant.<sup>14</sup> Due to transportation costs of PP compounds however, a customer would not typically source PP compounds for a plant located in the EEA from outside the EEA.<sup>15</sup>
- (18) This seems to be confirmed in the Parties' internal documents where they clearly distinguish between different regional (EU, NAFTA, Brazil, Asia, etc.) PP compound markets based on their internal reporting and the gathering of market intelligence.<sup>16</sup> The market would therefore not be as wide as global.
- (19) In view of the above, for the purpose of the present case, the Commission considers that the market for PP compounds, including all its possible sub-segmentation by industry application, is at least EEA-wide.

#### 4.1.2. PP resins

##### 4.1.2.1. Product market definition

- (20) As indicated above, the Commission has previously considered the market for PP and distinguished between PP resins and PP compounds. In its previous cases, the Commission has also distinguished between the three main types of PP resins (a)

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<sup>12</sup> M.1751 Shell/BASF /JV Project Nicole, para 37.

<sup>13</sup> M.4926 Basell / Berre L'Etang Refinery, para 16

<sup>14</sup> Minutes of conference calls with Competitors 1 and 2 dated 1 June 2018; Minutes of a conference call with a customer dated 1 June 2018; Minutes of a conference call with a customer dated 29 May 2018.

<sup>15</sup> Minutes of a conference call with a customer dated 29 May 2018.

<sup>16</sup> Annex 40 to the Notification, [...] (LyondellBasell); Submission by the Parties of 5 June 2018, [...] (A.Schulman)

PP homopolymers; (b) PP impact (block) copolymers and (c) PP random copolymers.<sup>17</sup>

- (21) LyondellBasell is active in the production of all three categories of PP resins. The Notifying Party submits that there is a single market for PP resins, arguing strong supply-side-substitutability.
- (22) For the purpose of this decision, the exact product market definition for PP resins and whether a distinction should be made between types of PP resins can be left open, as this would not change the outcome of the Commission's competitive assessment.

#### 4.1.2.2. Geographic market definition

- (23) In previous decisions, the Commission considered that the market for PP resins was at least Western Europe, but ultimately left the geographic market definition open<sup>18</sup>.
- (24) The Notifying Party submits that the market is at least EEA-wide in scope. According to the Notifying Party, the Commission's previous decisions distinguishing Western Europe were taken at a time when new Member States had only recently joined the EU. The Notifying Party submits that there is no coherent basis now to split the EEA market.
- (25) For the purpose of this decision, the question of whether the market for PP resins is Western-European, EEA-wide or global can be left open, as this would not change the outcome of the Commission's competitive assessment.

#### 4.1.3. *Masterbatches*

##### 4.1.3.1. Product market definition

- (26) Masterbatches are dispersed pigment preparations, which significantly improve the mass colouring of plastic products. According to the Notifying Party, masterbatches are manufactured according to the customer's specifications based on formulas developed by the manufacturer.
- (27) In its previous decisions, the Commission has considered masterbatches as a distinct product market<sup>19</sup>.
- (28) For the purpose of this decision, the Commission considers that there is a distinct product market for masterbatches.

##### 4.1.3.2. Geographic market definition

- (29) In its previous decisions regarding masterbatches, the Commission considered that, as far as large suppliers are concerned, the geographic market is at least

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<sup>17</sup> M.4848 Basell/Lyondell, para 9; M.4426 SABIC/Huntsman Petrochemicals UK, para 16; M.4744 INEOS/Borealis, para 14; M.1751 Shell / BASF / JV Project Nicole, para 26.

<sup>18</sup> M.4426 SABIC/Huntsman Petrochemicals, para. 38-39.

<sup>19</sup> M.911 Clariant / Hoechst, paras 20 – 22.

EEA-wide.<sup>20</sup> The Notifying Party submits it considers the market to be at least EEA-wide.

- (30) For the purpose of this decision, the Commission considers that the market for masterbatches is at least EEA-wide.

## 5. COMPETITIVE ASSESSMENT

### 5.1. Horizontal overlap - PP compounds

#### 5.1.1. General description of the market

- (31) The Parties and their main competitors' market shares for PP compounds in the EEA are represented in the table below.

Table 1: The Parties and their top four competitors' market shares of PP compounds in the EEA

	Market shares (in volumes, in 2017) <sup>21</sup>						
	LyondellBasell	Schulman	Combined	Borealis	ExxonMobil	SABIC	Sirmax
PP compounds	[20-30]%	[0-5]%	[20-30]%	[5-10]%	[5-10]%	[5-10]%	[5-10]%
PP compounds for the automotive industry	[30-40]%	[0-5]%	[30-40]%	[10-20]%	[5-10]%	[5-10]%	n.a.

Source: Form CO

- (32) Based on the Notifying Party's estimates, the Parties' combined market share ranges from [20-30]% on the general PP compounds market to [30-40]% on the plausible sub-segment for automotive PP compounds.

#### *Notifying Party's view*

- (33) According to the Notifying Party, the merged entity will, post-transaction, continue to face intense competition from a number of well-established competitors, such as Borealis, ExxonMobil and SABIC, both for PP compounds overall and for PP compounds for the automotive industry.
- (34) The Notifying Party further submits that the Parties are only distant competitors. LyondellBasell is a supplier of large volumes of relatively commoditized PP

<sup>20</sup> M.911 Clariant/Hoechst, paras 21 and 22, M.4102 BASF/Engelhard, para 28.

<sup>21</sup> The Parties' combined market shares in value are similar, with [20-30]% for PP compounds overall ([20-30]% for LyondellBasell and [0-5]% for Schulman) and [30-40]% for PP compounds for the automotive industry ([30-40]% for LyondellBasell and [0-5]% for Schulman).

compounds. Conversely, Schulman is a niche PP compound supplier, lacking the production and distribution scale of companies such as LyondellBasell.

- (35) The Notifying Party adds that customers will typically qualify multiple suppliers in respect of a certain PP compounds. According to the Notifying Party, such a qualification process is limited in time, but can vary between [...] depending on the product involved. However, once approved, the material can be used for the whole of the life cycle of the product model in question. Where a customer has multiple qualified suppliers, it would then be able to switch between suppliers quickly and easily.

*The Commission's view*

- (36) The market investigation has indicated that the Parties will indeed continue to face competition from existing alternative suppliers post-transaction, such as Borealis, ExxonMobil, and Sabic, in both the overall PP compounds market and the automotive PP compounds market segment.
- (37) The market investigation also suggested that the Parties are not particularly close competitors to each other. PP compounds customers indicated that LyondellBasell is a large scale supplier of commoditized PP compounds, while Schulman was considered as a rather small, niche market participant, not particularly visible in the automotive segment.<sup>22</sup> The perceived difference in size is also clear from Table 1 whereby Schulman holds only a [0-5]% market share ([0-5]% for the automotive segment), compared to LyondellBasell's [20-30]% in the overall PP compound market (and [30-40]% in the automotive segment).
- (38) The minor increment to LyondellBasell's market share brought by the proposed transaction translates into a delta of the Herfindahl-Hirschman Index (HHI) clearly below 150 on the overall market and in the automotive segment.
- (39) As concerns switching, the market investigation indicated that PP compound customers typically use the opportunity of a new product launch to find a new supplier.
- (40) Neither suppliers nor customers active consider that the proposed transaction will have an impact on prices or availability of supply in the overall PP compounds market or the automotive segment. This is essentially because Schulman is considered to have a very limited market presence.<sup>23</sup>
- (41) Taking into account that the Parties' combined market shares, the minor increment and the fact that the Parties are not close competitors, and the absence of any concerns stemming from the market investigation, the Commission concludes that the transaction does not raise serious doubts as to its compatibility with the internal market for PP compounds overall and PP compounds for the automotive industry specifically in the EEA.

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<sup>22</sup> Minutes of a conference call with Competitor 1 dated 1 June 2018; Minutes of a conference call with a customer dated 1 June 2018; Minutes of a conference call with a customer dated 29 May 2018.

<sup>23</sup> Minutes of a conference call with Competitor 1 dated 1 June 2018; Minutes of a conference call with a customer dated 1 June 2018



## 5.2. Vertical relations

### 5.2.1. PP resins (upstream) and PP compounds (downstream)

- (42) Since the Parties' combined market share is above 30% for PP compounds for the automotive industry (see Section 5.1 above), the upstream market for the production and sale of PP resins where LyondellBasell is active is vertically affected by the Transaction.
- (43) LyondellBasell and its main competitors' market shares for PP resins, and the three main types of PP resins, in Western Europe, EEA or global level in 2017 in value and volume are represented in the table below.

Table 2: The Parties and their top three competitors' market shares of PP resins and its sub-segments in the EEA<sup>24</sup>

	Market shares (in volumes, in 2017) <sup>25</sup>			
	Lyondell Basell	Borealis	Total	SABIC
PP resins	[10-20]%	[10-20]%	[10-20]%	[5-10]%
Random Copolymer	[20-30]%	[10-20]%	[10-20]%	[5-10]%
Homopolymer	[10-20]%	[10-20]%	[10-20]%	[5-10]%
Impact (block) polymer	[10-20]%	[10-20]%	[10-20]%	[5-10]%

Source: Form CO.

- (44) First, the Parties' market shares on the upstream (PP resins) and downstream (PP compounds) markets remain limited and alternative competitors will continue to exert competitive pressure.
- (45) Second, the merger specific effect remains limited as Schulman is currently a small purchaser of PP resins, as evidenced by its limited market share for the manufacturing and supply of PP compounds, always below [0-5]% (see Section 5.1 above). More specifically, Schulman's purchases of PP resins in the EEA for the production of PP compounds ([...] kilotons in 2017) represented less than [0-5]% (in value) of the total EEA market for PP resins.
- (46) In view of the above, and in particular competition remaining on the market for the manufacturing and supply of PP resins and PP compounds as well as

<sup>24</sup> LyondellBasell's market shares at Western European level are similar ([10-20]% for PP resins, [20-30]% for random copolymer, [10-20]% for homopolymer and [10-20]% for impact (block) polymer) and at global level are lower ([5-10]% for PP resins, [5-10]% for random copolymer, [5-10]% for homopolymer and [5-10]% for impact (block) polymer)

<sup>25</sup> In value in 2017, the market share of LyondellBasell slightly increases to [10-20]% for PP resins, [20-30]% for random copolymer, [10-20]% for homopolymer and [20-30]% for impact (block) polymer.

Schulman's limited purchase of PP resins, the Commission concludes that the risk of input and customers' foreclosure post-Transaction is unlikely.

5.2.2. *Masterbatches (upstream) and PP compounds (downstream)*

- (47) Since the Parties' combined market share is above 30% for PP compounds for the automotive industry (see Section 5.1 above), the upstream market for the production and sale of masterbatches where Schulman is active is vertically affected by the Transaction.
- (48) Schulman and its main competitors' market shares for masterbatches in the EEA in 2017 in value and volume are represented in the table below.

Table 3: The Parties and their top three competitors' market shares of masterbatches in the EEA

	Market shares (in volumes, in 2017) <sup>26</sup>				Value			
	Schulman	Ampacet	Clariant	Polyone	Schulman	Ampacet	Clariant	Polyone
EEA	[10-20]%	[10-20]%	[10-20]%	[5-10]%	[10-20]%	N/A	N/A	N/A

Source: Form CO.

- (49) First, Schulman's market share for masterbatches is always below 30% in all possible product and geographic market definitions. There are a number of alternative masterbatches manufacturers, such as Ampacet, Clariant and Polyone. The market investigation confirmed that several alternative suppliers of masterbatches will remain post-Transaction.<sup>27</sup>
- (50) Second, masterbatches are used in the production of a wide variety of compounds, not only PP compounds, destined for a wide spectrum of industry sectors and applications.
- (51) In view of the above, and in particular competition remaining on the market for the manufacturing and supply of masterbatches as well as the wide spectrum of applications of masterbatches beyond PP compounds, the Commission concludes that the risk of input and customers' foreclosure post-Transaction is unlikely.

<sup>26</sup> [...].

<sup>27</sup> Minutes of a conference call with a customer dated 1 June 2018.

**6. CONCLUSION**

- (52) 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*