



EUROPEAN COMMISSION
DG Competition

***Case M.9139 - HAIER /
CANDY***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 13/12/2018

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Brussels, 13.12.2018
C(2018) 8944 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 Where possible the information omitted has been replaced by ranges of figures or a general description.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

To the notifying party

Subject: Case M.9139 - Haier / Candy
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

Dear Sir or Madam,

- (1) On 8 November 2018, the European Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EC) No 139/2004 by which Haier Europe Appliances Holding B.V (the Netherlands), belonging to the Haier Group Corporation ("Haier", China) acquires within the meaning of Article 3(1)(b) of the Merger Regulation control of the whole of Candy S.p.A. ("Candy", Italy) by way of purchase of shares³ (Haier is hereinafter referred to as the "Notifying Party" and together, Haier and Candy are hereinafter referred to as the "Parties").

1. THE PARTIES

- (2) Haier is a Chinese-based manufacturer and supplier of consumer electronics and domestic appliances worldwide. Its products are marketed through several main

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 418, 19.11.2018, p. 8.

brands, including "Haier", "Casarte", "GE Appliances", "Fisher & Paykel", "AQUA" and "Leader".

- (3) Candy is an Italian-based manufacturer and supplier of domestic appliances worldwide. Its products are marketed through two main brands, "Candy" and "Hoover", and through national brands such as "Rosières" (France) and "Jinling" (China).

2. THE OPERATION

- (4) The transaction consists in the acquisition of the entire share capital of Candy by Haier (the "Transaction"). The Share Purchase Agreement was signed on 28 September 2018 between Haier Europe Appliances Holding B.V. (a subsidiary of Haier Group) and Candy S.p.A.

3. EU DIMENSION

- (5) The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 000 million (Haier: 20 868.7 million, Candy [...]). Each of them has an EU-wide turnover in excess of EUR 250 million (Haier: [...], Candy [...]), 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 within the meaning of Article 1(2) of the Merger Regulation.

4. RELEVANT MARKETS

4.1. Product markets

- (6) The Transaction leads to horizontal overlaps in respect of a number of different categories of electric domestic appliances.
- (7) The Notifying Party submits that each category of major domestic appliances ('MDAs') should constitute a separate product market due to the lack of demand side substitutability. More specifically, the categories identified by the Notifying Party are: cooking appliances, hoods, dishwashers, refrigerators, freezers, microwave ovens, washing machines and tumble dryers.
- (8) The Notifying Party adds that some of the appliances could be further sub-segmented, such as (i) cooking appliances into hobs and ovens (these can be sold as separate products) or (ii) refrigerators into single door, double or multiple doors, combined fridge-freezer, (iii) microwave ovens into simple microwave or integrated microwave ovens, and (iv) washing machines into washers and washer-dryers.
- (9) The Notifying Party notes that practically all appliances can be free standing or built in, but argues that these should not constitute separate product markets, as there is a high degree of supply side substitutability between them and also some degree of demand side substitutability.

- (10) The Notifying Party further remarks that MDAs are developing into smart / connected devices, which could be a further differentiating factor but explains that connected devices represent only 2% of all MDAs at the moment.
- (11) The Commission has previously segmented MDAs according to type of appliance and has also considered a further differentiation between free standing and built-in appliances.⁴
- (12) There are no precedents discussing whether the MDA market or its subsegments should be further divided according to smart / connected devices. Respondents to the market investigation indicated in this respect that the technology and know-how was widely available and was rather simple for MDAs that any MDA competitor mastered and was therefore not a distinctive feature that would justify further subsegmenting any type of MDA along this line.⁵
- (13) The Commission concludes that for the purpose of this decision the exact definition of the relevant product market can be left open, as the Transaction does not give rise to competition concerns on the basis of any plausible definition of the relevant product market.

4.2. Geographic markets

- (14) The Notifying Party argues that the relevant geographic market for the different categories of MDAs should be considered EEA-wide, because the same brands are marketed EEA-wide and production takes place centrally at a few locations irrespectively of where the product is going to be distributed. Many customers (retailers) are also active in several countries and prices are broadly homogenous across the EEA.
- (15) Commission precedents, however, left open whether the geographic market for the different MDAs should be considered EEA wide or national.⁶
- (16) The Commission concludes that for the purposes of this decision the exact definition of the relevant geographic market can be left open, as the Transaction does not give rise to competition concerns on the basis of any plausible definition of the relevant geographic market.

5. COMPETITIVE ASSESSMENT

EEA

- (17) On an EEA-wide market for all MDAs, no affected markets arise irrespectively of the precise product market definition. Third party independent (Euromonitor) research ranks the parties number 8 and 9 respectively among competitors in Europe, with BSH (Bosch, Siemens, Neff and Gaggenau), Whirlpool and

⁴ See e.g. Cases M.7366 Whirlpool/Indesit, paras 10-16 and M.2703 Merloni/GE/JV, paras 9 and 10.

⁵ See replies to question 7 of the Commission questionnaire to competitors and customers.

⁶ See e.g. Cases M.7366 Whirlpool/Indesit, paras 22-25.

Electrolux leading the list. EEA-wide market shares for all MDAs are estimated by Euromonitor at [0-5]% for Candy and [0-5]% for Haier.

National level

- (18) While the Parties' activities overlap in a wide range of different appliances in a large number of Member States, affected markets arise only with respect to nine potential product markets or sub-segments thereof.

Italy

- (19) In Italy, the transaction would result in affected markets in national markets for cooking appliances, and in particular in a potential market for all cooking appliances, as well as potential markets for ovens (built in) and hobs (built-in).

- (20) The below table sets out the market shares of the Parties on these markets:

| Italy | Haier share | Candy share | Combined | HHI Delta |
|------------------------|-------------|-------------|----------|-----------|
| All cooking appliances | [5-10]% | [10-20]% | [20-30]% | 180 |
| Built-in ovens | [0-5]% | [20-30]% | [20-30]% | 87 |
| Built in hobs | [5-10]% | [10-20]% | [20-30]% | 200 |

- (21) As regards built-in ovens, combined shares are below 25%, which indicates that the Transaction is not liable to impede effective competition.⁷ This indication is further supported by post-merger Herfindahl-Hirschman (“HHI”) index of the Transaction, with a very limited increment below 150. This indicates a very modest impact of the concentration in the market, with several other available suppliers available.⁸
- (22) As regards all cooking appliances, the Transaction would result in a higher increment ([5-10]%) and an HHI increment above 150 (HHI increment: 180).
- (23) The Commission observes, however, that combined shares remain modest, and below 25%.
- (24) Moreover, in the plausible market for all cooking appliances in Italy, a number of other suppliers exist, including the market leader Whirlpool (with a [40-50]% market share), followed by other established players with strong brands such as Electrolux ([10-20]%), Franke Holding AG ([5-10]%), Smeg ([5-10]%) and Inter Ikea Systems ([5-10]%).

⁷ See recital 32 of the Merger Regulation.

⁸ Recital 20 of the Guidelines on the assessment of horizontal mergers under the Council Regulation on the control of concentrations between undertakings, 2004/C 31/3 (“Horizontal Merger Guidelines.”)

- (25) Similarly, if a potential market for built-in hobs were to be considered, despite an HHI exceeding 150, the combined share remains below 25%, and other suppliers remain available. In particular, Whirlpool will remain the market leader ([40-50]% market share), followed by Electrolux ([10-20]%), Inter Ikea Systems ([5-10]%), Franke Holding AG ([5-10]%) and Arçelik AS ([0-5]%). The Notifying Party will therefore continue to face competitive pressure from a number of competitors irrespective of the precise product market definition. Consistent with this assessment, although Haier could become the second largest player in cooking appliances and on the narrower market for hobs in Italy, respondents to the Commission's market investigation did not consider that the Transaction would have a significant impact on Haier's pre-existing market share and that the merged entity would still constitute a minor player on the market.⁹
- (26) The Notifying Party also estimated that post-merger, for both markets – i.e. all cooking appliances and built-in hobs – will be characterised by HHIs between 1000 and 2000 with a delta below 250, which reflects a competitive market not notably impacted by the Transaction.
- (27) In addition, in relation to all cooking appliance, as well as to its narrower markets, the Notifying Party argues that the Parties are not close competitors as Haier targets the [...] segment while Candy is active in the [...].
- (28) Most respondents to the market investigation considered that both Parties are present in the 'value for money' part of the market, and some saw Haier as being present in the premium end. However, even if competition were seen as taking place within the segments themselves ('value', 'core', 'premium' and 'super premium'), respondents considered that the segments nevertheless exert competitive pressure on one other.¹⁰ Therefore, that Haier might be seen as also being present in the premium end of the market would not, in itself preclude a conclusion that the Parties are close competitors.
- (29) Notwithstanding, such possibility, however, respondents to the market investigation do not generally consider the Parties to be close competitors as the Parties do not figure among each other's top three competitors as identified by market participants; either for MDAs overall, for hobs in Italy.¹¹
- (30) Rather, the principal competitors identified were Whirlpool, Electolux and BSH, as well as Samsung and Beko. It was also noted during the market investigation that, a number of local manufacturers are also active in the cooking appliances segment in Italy, beyond the international players¹².

⁹ See replies to question 9 of the Commission questionnaire to competitors and customers.

¹⁰ See replies to question 6 of the Commission questionnaire to competitors and customers.

¹¹ See replies to question 4 of the Commission questionnaire to competitors and customers.

¹² See replies to questions 3 and 9 of the Commission questionnaire to competitors and customers.

- (31) Third party reports¹³ submitted by the Parties analysing the competitive landscape reflect intense competition on the affected markets and see the rationale for the Transaction as being for Haier to gain a stronger foothold on the European market and compete more effectively against Whirlpool.
- (32) Respondents to the Commission's market investigation shared the Parties' view that the landscape of the European MDA industry is both highly competitive and highly fragmented, comprising a number of aggressive EU and non-EU based competitors.¹⁴
- (33) Competitors and customers considered Haier having a strong international portfolio of brands but a relatively weak brand presence, with low market shares in MDAs in Europe compared with other regions, such as Asia Pacific and North America.¹⁵
- (34) Haier was seen to be strategically geared towards connected smart devices, however most respondents held that nowadays, many suppliers have adopted this strategy and Haier did not seem to have any unique capacity in this respect, while Candy has only started manufacturing such devices.¹⁶
- (35) Customers and competitors responding to the market investigation do not expect the Transaction to negatively affect their businesses. Several respondents considered that the Transaction could even intensify competition in MDAs as Haier intends to gain stronger foothold in Europe competing more aggressively to increase its market share: Relying on Candy's growing brand reputation and on its financial and industrial strength, Haier could become a more established, stronger competitor as a result of the Transaction.¹⁷

Other Member States

- (36) The transaction results in further six affected markets in the UK, Malta and Romania, as indicated in the below table.

¹³ See Report "Haier takes over Candy to gain a steady foothold in Europe", October 2018, Euromonitor International.

¹⁴ See replies to question 2 of the Commission questionnaire to competitors and customers.

¹⁵ See replies to question 2 of the Commission questionnaire to competitors and customers.

¹⁶ See replies to question 7 of the Commission questionnaire to competitors and customers.

¹⁷ See replies to question 9 of the Commission questionnaire to competitors and customers.

| | Product segment / | Haier share | Candy share | Combined | HHI Delta |
|---------|----------------------------------|-------------|-------------|----------|-----------|
| UK | All tumble driers | [0-5]% | [20-30]% | [20-30]% | 2 |
| UK | FS ¹⁸ Tumble driers | [0-5]% | [20-30]% | [20-30]% | 2 |
| UK | BI ¹⁹ Microwave ovens | [0-5]% | [20-30]% | [20-30]% | 13 |
| UK | Hoods | [0-5]% | [20-30]% | [20-30]% | 6 |
| Malta | FS Washing Machines | [0-5]% | [10-20]% | [20-30]% | 80 |
| Romania | Hobs | [0-5]% | [20-30]% | [20-30]% | 17 |

- (37) In all of the potential product markets listed in the above table, the Parties' combined market shares remain below 25%, except in the case of free standing ("FS") and all tumble driers in the UK where the market share levels are only [20-30]%. Therefore, the Transaction is not likely to impede effective competition.²⁰ In addition, market share increments remain negligible ([0-5]%) in all markets except for FS washing machines in Malta. Even on this possible market definition, however, the increment remains modest ([0-5]%) and the HHI increment remains below 150 (80).²¹
- (38) In all these markets the Transaction will not noticeably increase market concentration and several alternative supply options will remain available.²²
- (39) Market participants saw neither Candy nor Haier as having a particularly strong position in any product market in Europe. Their most notable presence was mentioned as being in refrigerators and also in washing machines to some extent, in Italy, France and the UK, where Candy was reported to be most present and a well known brand. However, in each of these markets Haier still has very limited market shares.²³ Moreover, for each of these markets the

¹⁸ Free Standing ("FS").

¹⁹ Built-in ("BI").

²⁰ See recital 32 of the Merger Regulation.

²¹ Recital 20 of the Horizontal Merger Guidelines.

²² See replies to questions 3 and 9 of the Commission questionnaire to competitors and customers.

²³ See replies to question 9 of the Commission questionnaire to competitors and customers.

considerations about business rationale, closeness and expected effects of the transaction in paragraphs (29) to (36) are also applicable.

6. CONCLUSION

- (40) 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*