



DETERMINATION OF MERGER NOTIFICATION M/06/009 – Hachette/Time Warner Book Group

Section 21 of the Competition Act 2002

Proposed acquisition by Hachette Livre SA of Time Warner Book Group Inc. and Time-Life Entertainment Limited (UK)

Dated 14/03/06

Introduction

1. On 28th February 2006, the Competition Authority, in accordance with Section 18(1) of the Competition Act, 2002 (“the Act”), was notified on a mandatory basis of the proposed acquisition by Hachette Livre SA (“Hachette”) of the entire issued share capital of Time Warner Book Group Inc. and Time-Life Entertainment Group Limited (UK), (collectively, “TWBG”), both wholly owned subsidiaries of Time Warner Inc.

The Undertakings Involved

2. Hachette, the acquirer, is a French company that publishes educational, reference, general cultural and leisure books in France, Spain and the UK. Hachette is part of the Lagardère group of companies, which operates on a worldwide basis in the areas of communications, media and publishing. It is also involved in high technology through a strategic shareholding in European Aeronautic Defence and Space Company. Hachette has no physical presence in the State, but does export books into the State from the UK.

3. TWBG, the target, is a US company that publishes books in the US, the UK and in other countries throughout the world. The vast proportion, [...], of TWBG’s global revenue is generated in the US, while approximately [...] of its revenue is generated in the EU. In addition to Time Warner Books, TWBG publishes under the following publishers:

- Abacus is active in literary fiction and non-fiction;
- Atom is active in imaginative fiction for teenaged- readers;
- Little Brown is active in a range of books in many genres, including biography, history, humour, politics, crime fiction and thrillers, romantic sagas and literary fiction;
- Orbit is active in science fiction and fantasy books; and
- Virago is active in women’s literature.

In Ireland, TWBG has a sales director and uses third party distributors to sell its general literature and children's books. Its Irish sale represents approximately [...] of its worldwide revenue.

Analysis

- The activities of both Hachette and TWBG overlap in respect of the sale of books in the State. The parties submitted value of sales and market share data relating to Irish retail sales published by Nielson BookScan¹.

Table 1: Overall Book Sales by Publisher, Ireland, 2005

Publisher	Value (€)	Share (%)
Random House Group	[..]	[10-20]
Hachette	[..]	[10-20]
Penguin Group	[..]	[10-20]
Harper Collins Group	[..]	[0-10]
TWBG	[..]	[0-10]
Gill & Macmillan	[..]	[0-10]
Others	[..]	[Over 50%]
Totals	[..]	100

Source: Nielsen

- Table 1 shows that post-acquisition, the combined Hachette/TWBG entity will account for [10-20]% of retail books sale in the State. The parties submitted that this should not give rise to competition concerns.
- The Authority considers that the proposed acquisition does not raise competition concerns in the State as (a) it gives rise to only a small increment in concentration; and (b) there still remains sufficient number of large competitors to the combined Hachette/TWBG entity.
- The Parties cited a recent decision of the European Commission concerning the wholesale supply of books², where the Commission defined the relevant product markets and the relevant geographic market. However, because the proposed acquisition would not substantially lessen competition in the State, it is not considered necessary to define the relevant market, or markets, in this matter.

Ancillary Restraint

- The Authority also reviewed restrictive arrangements agreed by the parties contained in their Stock Purchase Agreement ("SPA"). The SPA contains a non-compete covenant and IP and supply arrangements as well as a confidentiality clause.
- The Authority considers that these clauses are in line with its approach in respect of ancillary restraints in mergers and are

¹ Nielsen BookScan is an independent sector analyst.

² Case COMP/M.2978, *Lagardère/Natexis/VUP*, Decision of January 7, 2004.

directly related and necessary to ensure the implementation of the proposed acquisition.

Determination

The Competition Authority, in accordance with Section 21(2) of the Competition Act, 2002, has determined that, in its opinion, the result of the proposed acquisition by Hachette Livre SA of Time Warner Book Group Inc. and Time-Life Entertainment Limited (UK), both wholly owned subsidiaries of Time Warner Inc., will not be to substantially lessen competition in markets for goods and services in the State and, accordingly, that the acquisition may be put into effect.

For the Competition Authority

Dr Paul K. Gorecki

Member of the Competition Authority