



DETERMINATION OF MERGER NOTIFICATION M/14/034 - ESNT INTERNATIONAL LIMITED/ BLUE NEWCo 1 B.V.

Section 21 of the Competition Act 2002

Proposed acquisition by Essentra plc, through ESNT International Limited, of Blue NewCo 1 B.V.

Dated 09 January 2015

Introduction

1. On 28 November 2014, in accordance with section 18(1) of the Competition Act 2002 (“the Act”), the Competition and Consumer Protection Commission (“the Commission”) received a notification of a proposed transaction whereby Essentra plc, through a wholly-owned indirect subsidiary, ESNT International Limited¹ (collectively “Essentra”), would acquire the entire issued share capital and thus sole control of Blue NewCo 1 B.V. and its subsidiaries from Leduc Limited.

The Proposed Transaction

2. Leduc Limited is controlled by Clondalkin Group Holdings B.V. (“Clondalkin Group”), which is an international producer and provider of specialist packaging products and services. For the purposes of the proposed transaction, the business and assets comprising the specialist packaging division of Clondalkin Group were transferred to a newly incorporated Dutch entity, Blue NewCo 1 B.V. By the proposed transaction, and pursuant to a share purchase agreement signed on 12 November 2014, Essentra will acquire Blue NewCo 1 B.V. and thus will acquire sole control of the specialist packaging division of Clondalkin Group (“Clondalkin SPD”).

The Undertakings Involved

The Acquirer – Essentra

3. Essentra is headquartered in Milton Keynes, Buckinghamshire in the United Kingdom and is an international supplier of specialist plastic, fibre, foam and packaging products, with four principal operating divisions.²

¹ ESNT International Limited is a wholly-owned direct subsidiary of Essentra International Limited, a wholly-owned direct subsidiary of Essentra plc.

² Component & Protection Solutions, Porous Technologies, Packaging & Securing Solutions and Filter Products.



4. Essentra's Packaging & Securing Division is a multi-product business providing print, packaging and support services to its customers, from operational sites located across Europe.
5. In the State, Essentra is based in the Airways Industrial Estate in Dublin and is active in the supply of secondary packaging for pharmaceutical products³ consisting of cartons and leaflets.
6. Essentra is also active, to a lesser extent, in non-pharma packaging in the State most notably in the sale of liquid pouches for pet food to [...] ⁴ and printed cartons to [two IT related companies] ⁵.
7. In the financial year ending 2013, Essentra generated worldwide turnover of €1.004 billion of which approximately €[...] was generated in the State.

The Target Business – Clondalkin SPD

8. Clondalkin SPD has headquarters in Greensboro, North Carolina in the United States and in Northampton, United Kingdom and has production facilities in eight countries throughout Europe and North America.
9. Clondalkin SPD is primarily involved in the manufacture and sale of folding cartons, leaflets and labels with many variations and specialisations. In the State it is active in the packaging sector for pharmaceutical products, personal care/healthcare products, beauty products and IT related packaging. ⁶
10. In the financial year ending 2013, Clondalkin SPD generated worldwide turnover of €[...] of which €[...] was generated in the State.

The Vendor

11. Clondalkin SPD is 100% owned and controlled by the vendor, Leduc Limited, which is in turn controlled by Clondalkin Group.

Rationale for the Proposed Acquisition

12. The notification states:

“Clondalkin Group is a global provider of a broad suite of speciality packaging solutions for the pharmaceutical and health care and personal care industries. When Leduc Limited/Clondalkin Group Holdings B.V. sought to divest its specialist packaging division, Essentra saw this as an opportunity to significantly enhance its existing geographic footprint in pharmaceutical packaging and, through leveraging the combined footprint of both businesses, to allow it to further exploit both existing and attractive new growth opportunities. The

³ Comprising branded pharmaceutical packaging and packaging for over-the-counter pharmaceutical products. This is distinguished from the supply of packaging for personal care, healthcare and beauty products.

⁴ 2013 sales of approximately €[...].

⁵ 2013 sales of approximately €[...] and €[...] respectively.

⁶ Sales to [...] of approximately €[...].



Target Companies' product portfolio of folding carton, product literature and labels is complementary to Essentra's current packaging and authentication capabilities, thereby broadening the range and innovation offered to customers."

13. The parties view their businesses as being complementary, with Essentra primarily active in pharma-packaging on an EU-wide basis, and Clondalkin SPD having a greater presence in the personal care/healthcare and beauty segments and being smaller in the pharma-packaging segment.

Third Party Submissions

14. No submission was received.

Competitive Analysis

15. The Commission defines markets to the extent necessary depending on the particular circumstances of a given case. In this instance, it is not necessary for the Commission to define precise relevant markets.⁷
16. Both Essentra and Clondalkin SPD are active in the supply of secondary paper-based packaging solutions⁸ to the pharmaceutical sector. Within the EU, both Essentra and Clondalkin SPD supply cartons, leaflets and labels to pharmaceutical companies.
17. As stated above, the Commission is not defining a precise relevant market in this particular case but if one were to treat the overlapping activities of the parties as the supply of secondary paper-based packaging solutions to the pharmaceutical sector on an EU-wide level⁹, the market shares of the merged entity in the individual items (cartons, leaflets and labels) would be low¹⁰:
 - i. Cartons - with Essentra accounting for [1-10]% and Clondalkin SPD for [1-10]% of the market for cartons to the pharmaceutical sector in the EU, the merged entity will have approximately [1-10]% of the market¹¹;
 - ii. Leaflets - with Essentra accounting for [10-20]% and Clondalkin SPD for [1-10]% of the market for leaflets to the pharmaceutical sector in the EU, the merged entity will have approximately [10-20]% of the market¹²;

⁷ The European Commission previously took the view that the packaging industry can be divided into separate product markets based on the type of packaging, the material used for packaging and the category of end users (e.g. pharmaceutical). See M.6665 *Sun Capital/ Rexam Personal and Home Care Packaging Business*, 29 October 2012, citing M.2416- *Tetra Laval/Siebel*; M.603 - *Crown Cork & Seal/CarnaudMetalbox*.

⁸ Similar to COMP/M.7127 – *Carlyle/MDP/Chesapeake/MPS*.

⁹ Confidential sales figures of Clondalkin SPD, contained in the annexes to the Merger Notification Form, confirm that sales take place on an EU-wide level [...].

¹⁰ Market totals derived from Freedonia industry report, "World Pharmaceutical Packaging, May 2013" based on 2012 data and the parties' best estimates.

¹¹ With competitors like Chesapeake/MPS, Edelman and Palladio Zannini having market shares of [10-20]%, [1-10]% and [1-10]% respectively and others [40-50]%.

¹² With competitors like Chesapeake/MPS, Ileos and Edelman having market shares of [20-30]%, [1-10]% and [1-10]% respectively and others [40-50]%.



- iii. Labels - with both Essentra and Clondalkin SPD accounting for less than [0-5]% of the market for labels to the pharmaceutical sector in the EU, the merged entity will have approximately [1-10]% of the market¹³.
18. In the supply of secondary paper-based packaging solutions to the pharmaceutical sector in the State, the Parties overlap only in relation to the supply of cartons and leaflets. Essentra is not active in the supply of labels in the State.
19. Using market totals derived from the Freedonia industry report, mentioned in footnote 10 above, the parties estimate that in the State, Essentra and Clondalkin SPD account for approximately [10-20]% and [10-20]%, respectively, of the market for cartons to the pharmaceutical sector and approximately [1-10]% and [20-30]%, respectively, of the market for leaflets to the pharmaceutical sector. Large international competitors like Chesapeake/MPS¹⁴, Palladio Zannini and Colorman are also active in the State.
20. The Commission discussed the proposed transaction with some of the customers of both Essentra and Clondalkin SPD in the State and they had no concerns, as there are also other suppliers in the State, Northern Ireland and Britain that compete with the merging parties.¹⁵
21. In addition, the pharma-packaging sector not only has sophisticated buyers, including global pharmaceutical companies, as customers, with considerable bargaining power but also operates as a bidding market. It is common for customers to tender for their packaging requirements by individual product categories (e.g. cartons) and in most instances two suppliers will be pre-qualified to each panel. Orders may then be placed with any of the suppliers on the panel, depending on factors such as quality and delivery times. Customers tend to review their tendering arrangements every two years to ensure they are receiving value for money.
22. The overlap between the parties in the supply to the IT-packaging sector in the State is minimal, with combined sales of approximately €[...] in the State, representing less than [0-5]% of packaging sales to the IT-packaging industry.
23. In light of the above, the Commission considers that the proposed acquisition will not substantially lessen competition in any market for goods or services in the State.

Ancillary Restraints

24. The proposed transaction contains covenants restricting the vendor from carrying on any business which competes with the business of Clondalkin SPD in the territories in which Clondalkin SPD conducts business (i.e. Europe and North America), for a period of [zero to two] years following completion of the proposed transaction.

¹³ With competitors like Chesapeake/MPS, Edelman and Palladio Zannini having market shares of [1-10]%, [1-10]% and [1-10]% respectively and others [70-80]%.

¹⁴ Created by the merger discussed in footnote 8 above and declared compatible with the internal market and with the EEA Agreement, on the basis of the application of the simplified merger procedure, by the EU Commission in February 2014.

¹⁵ Some of the names mentioned to the Commission by customers of the merging parties were Esmark Finch, MSO Cleland and Reelvisionprint



25. The parties (i.e. the acquirer and the vendor) are subject to mutual obligations which restrict them from soliciting the custom of each other's existing customers or suppliers and/or from offering employment to certain of each other's existing employees, for a period of [zero to two] years following completion of the proposed transaction.
26. The parties state that the covenants are necessary in order to protect the full value of the business and goodwill transferred in the proposed transaction.
27. The Commission considers these restrictions to be directly related and necessary to the implementation of the proposed transaction.



Determination

The Competition and Consumer Protection Commission, in accordance with section 21(2)(a) of the Competition Act 2002, has determined that, in its opinion, the result of the proposed acquisition by Essentra plc, through ESNT International Limited, of the entire issued share capital of Blue NewCo 1 B.V. and thus sole control of the specialist packaging division of Clondalkin Group Holdings B.V., will not be to substantially lessen competition in any market for goods or services in the State, and accordingly, that the acquisition may be put into effect.

For the Competition and Consumer Protection Commission

Gerald FitzGerald
Member
Competition and Consumer Protection Commission