



DETERMINATION OF MERGER NOTIFICATION M/13/028 -

PGI / FIBERWEB

Section 21 of the Competition Act 2002

Proposed acquisition by Polymer Acquisition Limited of Fiberweb plc

Dated 29 October 2013

Introduction

1. On 1 October 2013, in accordance with section 18 of the Competition Act 2002 ("the Act"), the Competition Authority ("the Authority") received a notification of a proposed acquisition of indirect sole control by The Blackstone Group LP (together with its affiliates, "Blackstone") through one of its indirectly held portfolio companies Polymer Acquisition Limited ("Polymer") of the entire share capital of Fiberweb plc ("Fiberweb").

The Undertakings Involved

Blackstone

2. Blackstone is a US based global alternative asset manager and provider of financial advisory services. Blackstone's core business is to identify and execute investment opportunities on behalf of its clients. Blackstone's funds include private equity funds, real estate funds, customized hedge funds, credit-oriented funds and publicly traded closed-end mutual funds.¹ As a financial service provider, Blackstone also provides financial advice and restructuring services. Globally, Blackstone is active in various sectors including pharmaceuticals, hospitality, manufacturing, shipping, retail and media.²
3. On the island of Ireland, Blackstone is active, through a number of its portfolio companies, in various sectors including pharmaceuticals, hospitality, retail and media.³ The only company in Blackstone's portfolio that is active in a similar sector to Fiberweb is Polymer Group Inc ("PGI").
4. For the financial year ending 31 December 2011, Blackstone had a worldwide turnover of approximately €[...] billion and a turnover in the State of approximately €[...] million.

PGI

5. PGI is an indirectly held wholly owned subsidiary of Blackstone and is headquartered in Charlotte, North Carolina. PGI is a global engineered materials company, focused primarily on the production of nonwoven

¹ These are mutual funds with a fixed number of shares that trade in the marketplace.

² For information on Blackstone's portfolio companies please see:

<http://www.blackstone.com/businesses/aam/private-equity/portfolio>

³ These include: [...], ATC Midco S.à.r.l. (Luxembourg), [...],[...], Harbourmaster Capital (Holdings) Limited, Hilton Hotels Corporation, [...],[...], Polymer Group Inc, RGIS, Tangerine Confectionary, United Biscuits, the Intertrust Group and [...].

materials for the hygiene, wipes, medical, and industrial segments.⁴ PGI operates 13 manufacturing facilities (some of which also carry out warehousing, R&D and sales and marketing services) in nine countries, including the following facilities in Europe: Bailleul, France; Cuijk, the Netherlands; and Tarragona, Spain.

6. The parties have confirmed that PGI does not produce or manufacture nonwoven material on the island of Ireland. In 2012, PGI generated revenues of approximately €[...] million from customers located within the State, supplied by its three European production facilities.
7. PGI, through Chicopee North America and PGI Nonwovens B.V., manufactures certain branded finished goods from PGI nonwoven roll goods. These products consist mainly of wipes used in food service, healthcare, industrial and other general purpose uses. In 2012 PGI estimated that it made sales in the State of such goods to the value of €[...] representing approximately [...] % of the total revenue PGI generated within the State in 2012.
8. PGI is also active in the oriented polymers segment. This segment uses extruded polyolefin processes and woven technologies to produce a wide array of products for industrial packaging, building products and agriculture. PGI is active under the Fabrene brand in this segment.⁵

Fiberweb

9. Fiberweb is headquartered in London in the UK and is listed on the London Stock Exchange. Fiberweb is active globally in the manufacture and sale of customised nonwoven fabrics for various uses and has production sites in the US, the UK, Germany, Italy, France and India. The parties submit that Fiberweb is not active in the oriented polymers segment.
10. The parties have confirmed that while Fiberweb does not produce or manufacture nonwoven material on the island of Ireland it does generate sales to customers located within the State.
11. For the financial year ending 29 December 2012, Fiberweb had a worldwide turnover of approximately €317 million and a turnover in the State of approximately €[...] million.

Rationale for the Proposed Transaction

12. The parties state that the transaction represents an investment opportunity for Blackstone which is "consistent with Blackstone's strategy of investing in attractive companies to increase the value of their business with the view of profiting from their eventual sale".⁶

Third Party Submissions

13. No submission was received.

⁴ For further information in relation to PGI, see www.polymergroupinc.com

⁵ For further information on this please see: www.fabrene.com

⁶ As stated in section 2.7 of the notification.

Competitive Analysis

14. The parties submit that the transaction relates to the production and supply of nonwoven materials. Nonwoven fibres are broadly defined as *"a manufactured sheet, web, or batt directionally or randomly oriented fibres bonded by friction and/or cohesion and/or adhesion, excluding paper and products that are woven, knitted, tufted stitchbonded incorporating binding yarns or filaments, or felted by wet-milling, whether or not additionally needled. The fibres may be of natural or man-made origin. They may also be staple or continuous filaments or be formed in situ."* The European Commission reviewed this market in 2010 and stated that nonwoven fabrics *"are broadly defined as sheet or web structures bonded together by entangling fibre or filaments (and by perforating films) mechanically, thermally or chemically"*.⁸
15. The specific characteristics of nonwoven materials allow their use for a range of applications. These characteristics include: absorbency, liquid repellency, resilience, stretch, softness, strength, flame retardancy, washability, cushioning, filtering, bacterial barrier and sterility. These specific properties are often combined to create fabrics suited for specific functions and nonwovens can mimic the appearance, texture and strength of a woven fabric. In combination with other materials they provide a spectrum of products with diverse properties.
16. Nonwoven materials are used in a variety of consumer and industrial products with diverse properties, including: absorbent hygiene products, clothing, home furnishings, healthcare and surgical fabrics, construction, filtration, engineering, and wipes. Nonwoven products may be disposable, single-use, multiple use or of high durability.
17. Producers of nonwoven materials generally distribute their products direct to their customers who are generally converters or secondary producers. Converters modify the nonwoven materials through for example welding, coating, embossing, filling, laminating, printing, slitting, texturing and winding. These "modified" nonwoven materials are then sold on to either manufacturers of the end products or to the end customer. Fiberweb estimates that approximately [...] % of global turnover and [...] % of European turnover in nonwoven material is derived from sales of "modified" nonwoven material.
18. The European Disposables and Nonwovens Association (EDANA), which represents nonwoven producers but also both upstream suppliers and downstream converters in the industry, estimates that 1.8 billion tonnes of nonwovens (roll goods) were produced in Europe in 2011. This represented an increase of 5.7% in volume from 2010 and the market has shown a steady increase in production volume since 2000 (apart from a slight fall in 2009).⁹ EDANA also estimated that the total turnover of the European nonwoven roll goods industry in 2011 was €6.2 billion.
19. Notwithstanding that the parties consider the market to be the production and supply of nonwoven material, it may be possible to further segment the market in accordance with the particular process

⁷ Definition taken from the European Disposables and Nonwovens Association (EDANA), see: http://www.edana.org/docs/default-source/default-document-library/glossary_of_nonwoven_terms-2008-00177-01.pdf?sfvrsn=4

⁸ Case COMP/M.5958 GS / TPG / Ontex, dated 30 September 2010.

⁹ This compared with a growth of 10.9% between 2009 and 2010.

technology used in the production process and/or the use for the nonwoven material. The parties suggest that the following four segments may be relevant here:

- polypropylene spunbond / spunmelt / meltblown nonwovens for hygiene use,
 - polypropylene spunbond / spunmelt / meltblown nonwovens for non-hygiene use,
 - carded nonwovens for hygiene use, and
 - carded nonwovens for non-hygiene use.
20. In any event, for the purpose of the assessment of the present transaction, the exact definition of the product market for nonwoven fabrics can be left open, given that the proposed transaction does not raise any competition concerns under any alternative market definition.

Horizontal Overlap

21. There is a horizontal overlap in the activities of the parties both globally and within the State as both PGI and Fiberweb are involved in manufacture and supply of nonwoven materials.
22. PGI divides its activities into the following four segments namely:
- (1) PGI HY – Hygiene Group which manufactures nonwoven fabrics for use in nappies & training pants, adult incontinence briefs and feminine hygiene products.
 - (2) PGI HC - Healthcare Group which manufactures nonwovens for use in wound care (bandage & gauze), hospital gowns, CSR wrap,¹⁰ face masks and other protective clothing.¹¹
 - (3) PGI W - Wipes Group which manufactures nonwoven cleaning fabrics and finished packaged wipes distributed through its Chicopee subsidiary.¹² Chicopee operates two divisions, its North America division provides roll goods and finished, packaged wipes for foodservice, building care, health care and general purpose applications while the European division provides finished packaged wipes and roll goods for the automotive, foodservice, building care, industry, health care, consumer home care and consumer personal care applications. Both Chicopee divisions provide nonwoven roll goods for use in baby, beauty, disinfecting, industry, home, and hygiene and personal care products.
 - (4) PGI IN – Industrial which offers a range of process technologies and a variety of fibres/resins for use in applications such as:
 - (i) Construction, cable wrap and home furnishings;

¹⁰ A CSR Wrap is a sterilisation wrap used in the surgical environment to provide a barrier and ensuring sterility for instruments and gowns etc.

¹¹ PGI's products in this area include: MediSoft® Ultra™ fabrics.

¹² For more information on the activities of Chicopee see: <http://www.chicopee-europe.com/>

- (ii) Agriculture, filtration and food packaging;
- (iii) Automotive & acoustics; and
- (iv) Specialty sectors e.g. respiratory cover sheets, flame retardant inter-liners, protective apparel, car and boat covers.

23. Fiberweb's activities are divided into the following seven segments:

- (1) Fiberweb Agriculture supplies a range of crop covers and fleeces (such as AGRYL, NOVARGYL and COVERTAIN).¹³
- (2) Fiberweb Building supplies protective breathable wraps and impermeable laminates (e.g. roof membranes) used in both residential and commercial buildings.¹⁴
- (3) Fiberweb Filtration supplies filtration products used in the medical sector (e.g. blood filtration and face masks), industrial Heating Ventilation Air Conditioning (HVAC), purity processes, pharmaceuticals and swimming pools.¹⁵
- (4) Fiberweb Geosynthetics supplies products which are hi-tech replacements for construction staples like stone and sand.¹⁶
- (5) Fiberweb Hygiene supplies a range of products used in adult, feminine and infant care products (such as wipes, sanitary towels and nappies).¹⁷
- (6) Fiberweb Medical supplies a range of products for use in medical scrubs and fabric used for sliding patients from one position to another (without the need to lift the patient).¹⁸
- (7) Fiberweb Technical Consumer Products works with customers to develop and engineer nonwoven material for specific uses.¹⁹

24. Both parties are active at the manufacturing level of the supply chain on a global scale, and with the exception of PGI's branded wipes and Fiberweb's limited online direct sales of its geosynthetics products do not supply finished products to consumers i.e. both parties sell to the merchant or "converter" level.

25. Neither of the parties have production facilities for the manufacture of nonwoven materials or subsidiaries or other sales offices on the island of Ireland.²⁰ [The parties distribute to their customers on the island of Ireland via different channels]. The parties submit that the value of

¹³ For more information see: <http://www.fiberweb.com/customer/industry-sector/agriculture>

¹⁴ Products in this area include the TYPAR / TEKTON brands.

¹⁵ Fiberweb's products in this area include the MELTEX and TENOMELT brands.

¹⁶ Fiberweb's products in this area include the TERRAM & TYPAR, DEFENCEL and TUBEX brands.

¹⁷ Fiberweb's products in this area include the AIRTEN, and TERCEL brands.

¹⁸ Fiberweb's products in this area include the BEROTEX PE, SECURON, LINOPORE, SOFT S-TEX, and BICOFLAT brands.

¹⁹ Fiberweb's products in this area include the TYPAR Spunbound Polypropylen, Fiberweb Pointbond Polyethylene, REEMAY Spunbound Polyester and Fiberweb Meltblown.

²⁰ EDANA confirmed to the Authority that to their knowledge no producer is involved in the production of nonwoven materials in Ireland.

their combined sales within the State in 2012 was minimal in relation to the overlap, and in any event was less than €[...].²¹

26. From a supply-side perspective, the nonwovens industry is characterised by the presence of large global companies, many of which produce and sell nonwovens for a wide variety of applications, including the following companies: Ahlstrom Corporation, Avgol Nonwoven Industries, Companhia Providência Indústria e Comércio, Fitesa, Freudenberg & Co., Johns Manville, Mogul Tekstil Sanayi ve Ticaret Ltd, Pegas Nonwovens SA., Shalag Nonwoven Industry Ltd, Textsus SpA and TWE Group.²² In 2012 there were approximately 168 producers of nonwoven material in Europe (this compares to 150 in 2007).²³
27. The parties submit that the market is an established and stable industry, where production can be characterised by continuing evolutions in manufacturing, polymer resin or additive technology [...]. EDANA also confirmed that there was little brand loyalty among customers (i.e. converters or distributors) and that the purchasing decisions are primarily driven by price and performance of the material itself. Customers of the parties confirmed to the Authority that their purchasing decisions are generally based on performance and price and that there are several suppliers from which they can source materials and switching between suppliers was easy.
28. While objective market share data is not available, the parties estimate that in the overall market for the production and supply of nonwoven material in the EEA, PGI has a [...] % share while Fiberweb has a [...] % share.²⁴ Thus post transaction the combined entity would have a share of less than 6% of the overall market in the EEA. These figures indicate that the combined entities' role would not be such as to create competition concerns through this acquisition. In addition, post transaction, the combined entity will not have a market share under any of the alternative market segments identified above that would create competition concerns.

Vertical Overlap

29. The parties have confirmed that neither PGI nor Fiberweb are vertically integrated at the upstream level in the sourcing and production of raw material required for the manufacture of nonwoven material.
30. However, both parties have some activities in the downstream level from the production of nonwoven materials. For example, PGI is active, through Chicopee North America and PGI Nonwovens B.V., in the manufacture of finished branded goods from PGI nonwoven roll materials. These products consist mainly of wipes used in food

²¹ PGI had revenues of approximately €[...] and Fiberweb had revenues of approximately €[...] from customers located within the State.

²² For information on these companies see:

<http://www.ahlstrom.com/en/aboutAhlstrom/faq/Pages/default.aspx>, <http://www.avgol.com/>, <http://www.providencia.com.br/>, <http://www.fitesa.com/>, <http://www.freudenberg.com/en/Pages/default.aspx>, <http://www.jmeurope.com/page2012.asp?id=120&BusinessUnitID=4>, <http://www.mogulsb.com/>, <http://www.pegas.cz/default.asp?nLanguageID=2>, <http://www.shalag.co.il/profile.html>, <http://www.textsus.it/index.html> and <http://www.twe-group.com/>,

²³ Confirmed to the Authority by EDANA following Authority queries.

²⁴ The market shares estimates provided by the parties are based on their own sales figures and the estimate of the overall value of the market in 2012 by EDANA.

service, healthcare, industrial and other general purpose uses. PGI has confirmed that direct sales to customers located within the State of its branded wipes in 2012 was €[...] representing approximately [...] % of the total revenue PGI generated within the State in 2012.

31. The parties submitted that although Fiberweb is primarily active at the manufacturing level, it also carries out limited converting activities at the downstream level but is not, generally, active in the supply of finished products to consumers. Such activities include modifications to nonwovens, such as (i) laminating or welding together materials, to make them more suitable for a particular end-use, (ii) welding certain widths of nonwoven together for use in crop covers in agriculture, or (iii) undertaking certain converting for nonwovens used for roofing underlays in construction.²⁵ The value of the sales by Fiberweb to customers within the State of modified nonwoven materials in 2012 was €[...], representing approximately [...] % of the total revenue generated within the State in that year.
32. Fiberweb sells direct to customers through "Bobbingtons", its online portal for the retail sale of its geosynthetic products²⁶ along with a small portion of goods purchased for resale. The geosynthetic products supplied by Fiberweb within the State are barrier and warning tapes and meshes used for temporary fencing, grass and turf reinforcement and tree protection. The value of the sales of these materials amounted to €[...], representing approximately [...] % of the total revenue generated by Fiberweb within the State in 2012.
33. Thus both parties are engaged in activity at the downstream level from the production of nonwoven materials as each make direct sales of some finished products (or converter products). However, there is no overlap between the parties with respect to the types of products concerned. For example with respect to the supply of Fiberweb's geosynthetic products, no overlap arises either globally or within the State as PGI is not involved in the manufacture or supply of geosynthetic products. With respect to the production and supply by PGI of its branded goods (e.g. wipes), no overlap arises in the State as Fiberweb is not involved in the manufacture or supply of such goods within the State.
34. Thus there is no vertical overlap between the parties within the State and in light of the size of the overall market for nonwoven material and the presence of a significant number of both manufacturers and converters of nonwoven materials, this limited downstream activity does not raise any competition concerns.

Conclusion

35. In light of the above the proposed transaction will not result in a substantial lessening of competition in any market for goods or services in the State.

²⁵ The following Fiberweb entities carry out this limited "converting" activities: [...] – which slits nonwoven material into smaller nonwoven rolls to produce finished goods; [...] – which slits nonwoven material and also welds nonwoven material together to produce a wider range of nonwoven roll dimensions; and [...] – which prints and slits nonwoven material to produce finished goods.

²⁶ Geosynthetics products are hi-tech replacements for construction staples like stone and sand.

DETERMINATION

The Competition Authority, in accordance with section 21(2)(a) of the Competition Act, 2002, has determined that, in its opinion, the result of the proposed acquisition whereby The Blackstone Group LP (together with its affiliates) would acquire, through its indirectly held wholly owned subsidiary Polymer Acquisition Limited, control of Fiberweb plc will not be to substantially lessen competition in markets for goods or services in the State, and, accordingly, that the acquisition may be put into effect.

For the Competition Authority

Stephen Calkins

Member of the Competition Authority

Director, Mergers Division