



## **DETERMINATION OF MERGER NOTIFICATION M/13/032 –**

### **Tennants / Dynea**

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#### **Section 21 of the Competition Act 2002**

#### **Proposed acquisition by Tennants Consolidated Limited Dynea Ireland Limited and certain of the business and assets of Dynea UK Limited**

**Dated 13 December 2013**

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#### **Introduction**

1. On 18 November 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 whereby Tennants Consolidated Limited (“Tennants”), through its wholly owned subsidiaries Synthite Limited (“Synthite”) and TS Resins Limited (“TS Resins”), would acquire sole control of Dynea Ireland Limited (“Dynea IRE”) and certain of the business and assets of Dynea UK Limited (“Dynea UK”) (together “the Target”).

#### **The Undertakings**

##### *Tennants*

2. Tennants is a UK private limited company headquartered in London and primarily involved in the production and distribution of chemicals. Tennants has chemical manufacturing facilities in several locations including in Brazil, Canada, China, Italy, the UK and the USA. Its distribution activities are centred primarily on the UK and continental Europe but it also distributes to Canada.
3. Globally Tennants manufactures and/or distributes a wide variety of chemicals including: resins, pigments, pigment dispersions, formaldehyde and allied products, polyurethanes resins and additives for inks and coatings, moulding powders, mining chemicals, aroma chemicals (for use in fragrances), chemical specialties to the polymer manufacturing and processing industry and chemicals for use in the cosmetics, food, pharmaceutical and industrial sectors. Tennants also synthesizes organic compounds to research and development companies in the pharmaceutical and bioscience industries.<sup>1</sup> Tennants also manufactures and distributes AdBlue<sup>®</sup>, together with storage and dispensing equipment though the licensed trademark Greenox<sup>®</sup>.<sup>2</sup>
4. Within the State, Tennants is active through three subsidiaries namely:

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<sup>1</sup> See: [http://www.tennants.eu/pages\\_en/tenantgroup/ten\\_con\\_ltd.html](http://www.tennants.eu/pages_en/tenantgroup/ten_con_ltd.html)

<sup>2</sup> AdBlue is a solution of urea in demineralised water and is used in vehicles with diesel engines to reduce Nitrous Oxide (NOx) emissions. For more information see: [http://www.charlestennant.com/brochures/Adblue\\_brochure.pdf](http://www.charlestennant.com/brochures/Adblue_brochure.pdf) and <http://www.greenoxadblue.co.uk/>

- Irish Tar & Bitumen Suppliers – which imports and distributes bitumen, manufactures and sells bitumen emulsions and polymer modified bitumen;
  - Charles Tennant & Company (Eire), Limited – which imports and distributes speciality dry and drummed chemicals (e.g., pigments and coloured cements) and distributes methanol; and
  - Tennants Building Products Limited – which imports and distributes building materials.<sup>3</sup>
5. For the financial year ending 31 December 2012, Tennants had a worldwide turnover of approximately €[...]<sup>4</sup> and a turnover in the State of approximately €[...]. Irish Tar and Bitumen Suppliers are responsible for about €[...] of this turnover.

#### *DYNEA IRE*

6. Dynea IRE is an Irish company engaged in the manufacture of resins produced from a combination of formaldehyde, urea and melamine.<sup>5</sup> The resins produced by Dynea IRE are commonly referred to as aminoplast resins, of which there are two basic types - urea-formaldehyde ("UF")<sup>6</sup> and melamine-formaldehyde ("MF").<sup>7</sup>
7. Dynea IRE also acts as a reseller of methanol. The methanol purchased by Dynea IRE is sold to third parties without any additional processing by Dynea IRE.
8. For the financial year ending 31 December 2012, Dynea IRE had a worldwide turnover of approximately €[...] which was entirely generated within the State.

#### *DYNEA UK*

9. Dynea UK is a UK incorporated company owned by Dynea Chemicals OY.<sup>8</sup> The business and assets of Dynea UK being acquired consist of a manufacturing facility in Mold, Wales, together with that facility's capability to manufacture UF and MF resins, phenolic resins (phenol/formaldehyde) ("PF"),<sup>9</sup> hardeners (i.e. the substances used to harden an adhesive when mixed with resin) and diesel exhaust fluid

<sup>3</sup> In particular: drywall systems, ceilings, fire protection, thermal & acoustic and cladding.

<sup>4</sup> [...] converted using the ECB average exchange rate for 2012 of EUR1=Stg£0.81087.

<sup>5</sup> A resin is a solid or semi-solid organic material that is mixed with a curing agent to enable an adhesive to cure. An adhesive is generally defined as a non-metallic material used to join two or more materials together when mixed with resin, and to cure means to cross-link molecules permanently (with the result that adhesives cure as they solidify). See a list of vocabulary definitions at <http://www.toolingu.com/definition-670140-105188-hardener.html>.

<sup>6</sup> According to Wikipedia urea-formaldehyde resin is a non-transparent thermosetting resin or plastic made from urea and formaldehyde heated in the presence of a mild base such as ammonia or pyridine. These resins are used in adhesives, finishes, MDF and molded objects.

<sup>7</sup> According to Wikipedia melamine formaldehyde resin is a hard, thermosetting plastic material made from melamine and formaldehyde by polymerization. These resins are used in surface coatings and in kitchen utensils, laminates (e.g. flooring) and cabinet and furniture making.

<sup>8</sup> Dynea Chemicals OY also currently owns Dynea IRE. Dynea Chemicals is ultimately controlled by Dynea OY.

<sup>9</sup> According to Wikipedia phenol formaldehyde resins are synthetic polymers obtained by the reaction of phenol or substituted phenol with formaldehyde. They are mainly used in the production of electrical components such as circuit boards but are better known however for the production of molded products (e.g. balls used in snooker or pool) as coatings and adhesives.

(DEF), commonly referred to as "AdBlue". Dynea UK manufactures AdBlue exclusively for Tennants.<sup>10</sup>

10. For the financial year ending 31 December 2012, the business and assets of Dynea UK being acquired had a worldwide turnover of approximately €[...] and a turnover in the State of €[...].
11. Thus for the financial year ending 31 December 2012, the combined worldwide turnover of the Target was approximately €[...] of which approximately €[...] was generated within the State.

### **Rationale for the Proposed Acquisition**

12. Tennants submitted that through the proposed transaction it "*hopes to realise certain efficiencies through raw material integration in respect of the facility it is acquiring in Mold, Wales. Other efficiencies will be gained through the removal of corporate management layers, helping to produce improved returns post-acquisition.*"

### **Third Party Submissions**

13. No third party submission was received.

### **Competitive Analysis**

14. The parties submit that the industry sector involved is the chemical industry, primarily the manufacture of resins.

Horizontal Overlap

#### *The manufacture and/or distribution of resins*

15. The parties submit that no horizontal overlap exists, within the State, between the parties in:
  - the manufacture and sale of formaldehyde based resins (i.e. UF, MF or PF resins), hardeners, AdBlue, bitumen emulsions or polymer modified bitumen; or
  - the import and distribution of building materials, bitumen, or speciality dry and drummed chemicals (e.g., pigments and coloured cements).
16. However, if the product market concerned was to consist of all resins, there is a horizontal overlap globally between the parties in the production of resins, as Tennants, through its subsidiary BIP (Oldbury) Limited ("BIP"), manufactures polyurethane resins and polyamide-epichlorohydrin resins and both Tennants and the Target sell resins.<sup>11</sup> However, enquiries by the Authority have confirmed that the types of resins manufactured by the Target and Tennants are not substitutable due to the specific chemical properties of the resins concerned and the particular uses to which each type are applied. In addition, the Target is not involved in the manufacture or distribution of polyurethane

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<sup>10</sup> The parties have confirmed that no member of the vendor group is engaged in the manufacture or distribution of diesel exhaust fluid for other third parties.

<sup>11</sup> BIP is a UK company active globally in the manufacturing and supply of thermoset plastics and chemicals. BIP products are distributed in Ireland by Charles Tennant Ireland Limited, the Northern Irish subsidiary of Tennants.

resins in the State and neither Tennants nor any of its subsidiary companies manufacture or distribute the kind of resins produced by the Target (i.e. PF, UF or MF resins) within the State.

17. Thus it is not necessary to define the product market with precision in this case as the proposed acquisition will not substantially lessen competition in the State in any of the potential markets or market segments.
18. The industry for the manufacture of the various types of resins is characterised by the presence of large global companies, including: 3M Corporation (polyurethane resins), Alchemie Limited (polyurethane resins), BASF (UF and formaldehyde based resins), Dynea Chemicals Oy (UF, MF and PR resins), Momentive (UF, PF and MF resins), Allnex (PR resins), Ashland (PR resins), and Vil Resins Limited (PR resins).<sup>12</sup> Thus, post acquisition, the merged entity will continue to face competition from a variety of global resin producers.

#### The supply of methanol

19. There is no horizontal overlap with respect to the manufacture of methanol as neither Tennants (nor any of its subsidiaries) nor the Target manufactures methanol either globally or within the State.
20. There is a horizontal overlap with respect to the supply of methanol in the State as both Tennants and Dynea IRE distribute methanol in the State. Tennants' activities in the supply of methanol within the State are small -- in 2012 it supplied [...] with methanol to the value of €[...]. (Dynea IRE generated a turnover in the State for the supply of methanol in 2012 of €[...].)
21. A horizontal overlap exists outside the State between Tennants and Dynea OY (the ultimate controlling vendor of the Target), but not the Target, as Tennants supplies methanol in the UK and Europe and an indirect subsidiary of Dynea OY supplies methanol in Finland only.
22. The EU Commission considered methanol to constitute a separate product market, describing it as "*a clear, colourless liquid primarily obtained from natural gas. It has two main applications: methanol is used in the production of formaldehyde, acetic acid and a variety of other chemical additives which form the foundations of a large number of secondary derivatives. Methanol is also used in the fuel industry in the production of unleaded gasoline.*"<sup>13</sup> In that case the Commission left open the question on the relevant geographic market. While recognising that methanol is traded internationally, it noted that due to tariff barriers, transport costs and varying demand, the relevant geographic market is likely to be delineated by reference to three main demand areas – Europe, North America and Asia.

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<sup>12</sup> For information on each of these companies, please see the following websites: [http://solutions.3m.co.uk/wps/portal/3M/en\\_GB/ElectricalMkts/ElectricalSupplies/SolutionsFor/OE/MSolutions/Resins/PolyurethaneResin/](http://solutions.3m.co.uk/wps/portal/3M/en_GB/ElectricalMkts/ElectricalSupplies/SolutionsFor/OE/MSolutions/Resins/PolyurethaneResin/); <http://www.alchemie.com/category/products/polyurethane-resin/>; <http://www.basf.com/group/corporate/en/brand/URECOLL>; <http://www.dynea.com>; [http://www.momentive.com/ProductFamily/phenolic\\_urea.aspx?id=240](http://www.momentive.com/ProductFamily/phenolic_urea.aspx?id=240); <http://www.allnex.com/phenolic-resins>; <http://www.ashland.com/>; and <http://www.vilresins.com/products-vil-resins.html>

<sup>13</sup> Case No. COMP/M.1813 - Industri Kapital / Nordkem / Dyno.

23. Customers of methanol are located throughout the island of Ireland. The parties submit that there are generally no switching costs for customers and purchasing decisions are largely influenced by price. In addition to the parties, a number of other companies within the State are active in the manufacture and/or supply of methanol including: The Carbon Group, Corcoran Chemicals and The National Chemical Company.<sup>14</sup>
24. The parties estimate that market shares for the supply of methanol in Western Europe, valued at about €2,250 million annually, is as follows:

	<b>Tonnage [million]</b>	<b>% Share of supply</b>
Methanol Holdings (Trinidad) Ltd / Helm AG	[1.0 – 1.5]	[10 – 15]
Methanex	[0.5 – 1]	[10 – 15]
Statoil	[0.5 – 1]	[10 – 15]
Total	[0.5 – 1]	[5 – 10]
Biomethanol Chemie	[0.1 – 0.5]	[5 – 10]
Solvadis	[0.1 – 0.5]	[5 – 10]
Shell	[0.1 – 0.5]	[5 – 10]
Tennants	[0.0 – 0.1]	[0 – 5]
Target	[0.0 – 0.1]	[0 – 5]
Others	[2 – 2.5]	[25 – 30]
<b>TOTAL</b>	<b>[7.1]<sup>15</sup></b>	<b>100.00</b>

Source: provided by the parties

25. Post acquisition the merged entity would have a combined market share for the supply of methanol in Western Europe of [0 - 5]%. The merged entity would continue to face competition in the supply of methanol from several global players including: Biomethanol Chemie, BP Chemicals, Methanex, Methanol Holdings (Trinidad) Ltd, Mitsubishi Gas Chemical, Shell, Solvidas, Statoil and The Chemical Company.<sup>16</sup>

#### Vertical Overlap

26. The parties submit that no vertical overlap exists between the activities of the parties within the State regarding the manufacture or supply of PF, UF or MF Resins. No further vertical concerns arise as a result of the proposed transaction.

#### Conclusion

27. In light of the above the proposed transaction will not raise any competition concerns in the State.

#### Ancillary Restraints

28. The vendors of Dynea IRE have entered into non-solicitation and non-compete covenants to apply for a period of [...] post completion, while the vendors of the business and assets of Dynea UK have entered into

<sup>14</sup> For information on each of these companies see: <http://www.carbon.ie/>; <http://www.corcoranchemicals.com/index.asp?c=ie> and [http://www.ncc.ie/default2.asp?active\\_page\\_id=30](http://www.ncc.ie/default2.asp?active_page_id=30)

<sup>15</sup> Source: Based on the forecasted figures for 2013 provided by HIS Chemical, Market Advisory Service, "Global Methanol – Monthly Supplement".

<sup>16</sup> For information on these companies see: <http://www.biomcn.eu/>; <http://www.methanex.com/products/index.html>; <http://www.ttmethanol.com/web/index.htm>; <http://www.mgc-a.com/methanol/>; <http://www.shell.com/chemicals.html>; <http://www.solvadis.com/index.php?id=methanol&L=2>; <http://www.statoil.com/en/Pages/default.aspx>; and <http://www.thechemco.com/chemicals/featured/>.

non-solicitation and non-compete covenants to apply for a period of [...] post completion. TS Resins, the Tennants subsidiary acquiring the assets, has entered into non-compete covenants to apply for a period of [...] post completion. These restrictions are consistent with past Authority guidance and as such can be considered as directly related to and necessary for the implementation of the proposed transaction.

## **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 Tennants Consolidated Limited would acquire indirect sole control of Dynea Ireland Limited and certain of the business and assets of Dynea UK Limited 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**