



DETERMINATION OF MERGER NOTIFICATION M/16/017 - MOLSON COORS / MILLER

Section 21 of the Competition Act 2002

Proposed acquisition by Molson Coors Brewing Company of certain assets of SABMiller plc

Dated 13 May 2016

Introduction

1. On 4 April 2016, in accordance with section 18(1) of the Competition Act 2002, as amended (“the Act”), the Competition and Consumer Protection Commission (the “Commission”) received a notification of a proposed transaction whereby Molson Coors Brewing Company (“Molson Coors”) would acquire sole control of certain assets from SABMiller plc (“SABMiller”).
2. The proposed transaction is connected to, and will take place in parallel with, a proposed transaction notified to the European Commission on 30 March 2016, whereby Anheuser-Busch InBev SA/NV (“InBev”) would acquire sole control of SABMiller plc.¹

The Proposed Transaction

3. The proposed transaction will be implemented pursuant to a purchase agreement (“PA”), dated 11 November, between Anheuser-Busch InBev SA/NV (“ABI”) and Molson Coors.² As a result of the proposed transaction Molson Coors would acquire:
 - a) SABMiller’s shares in MillerCoors LLC (“MillerCoors”), with the result that the current joint control of MillerCoors would change to sole control by Molson Coors.³
 - b) Intellectual property rights, outside of the USA, to various trademarks related to Miller branded beers (the “Miller Brands”).⁴

¹ Case M.7881 AB InBev / SABMiller. The provisional deadline for a European Commission decision is 24 May 2016. See <http://ec.europa.eu/competition/elojade/isef/case_details.cfm?proc_code=2_M_7881>.

² Immediately following ABI’s acquisition of SABMiller, ABI will transfer to Molson Coors: (a) SABMiller’s shareholding in MillerCoors; and (b) the Miller Brands.

³ The Parties state, in correspondence to the Commission dated 6 May 2016, that SAB Miller and Molson Coors each own 420,000 Class A shares in Miller Coors and that SAB Miller also owns and 160,000 Class (non-voting) B Shares. While SAB Miller and Molson Coors have different economic interests in Miller Coors, (i.e., 58% and 42% respectively) they have identical governance rights and hence Miller Coors is jointly controlled by Molson Coors and SAB Miller.

⁴ For a list of the Miller Brands, see paragraph 9 below.



The Undertakings Involved

The Acquirer – Molson Coors

4. Molson Coors, headquartered in Denver, Colorado, USA, is an international brewing company listed on the New York Stock Exchange. Molson Coors is involved in the manufacture, marketing and distribution of beers to on-trade customers (e.g., licensed premises such as public house, hotels and restaurants) and off-trade customers (e.g., off licences, catering companies and food and beverage wholesalers and retailers). Molson Coors is active in USA, Canada and elsewhere including various countries in Asia, Europe and Latin America.⁵
5. Within the State, Molson Coors is primarily involved in beer marketing and the distribution⁶ of beers.⁷ Brands distributed by Molson Coors within the State include Blue Moon, Carling, Cobra,⁸ Estrella, Grolsch,⁹ Molson Canadian, Franciscan Well Rekorderlig, Sharps, Singha, Staropramen, and Worthingtons. Molson Coors is also involved, to a limited extent, in the manufacture of beer in the State at the Franciscan Well Brewery in Cork City.¹⁰ Within the State, Molson Coors largest customers are [...].
6. For the financial year ending 31 December 2015 Molson Coors' worldwide turnover was approximately €3.21 billion, of which approximately €[...] million was generated in the State.¹¹

The Target Assets

MillerCoors

7. MillerCoors, headquartered in Chicago, Illinois, USA is a joint venture between SABMiller and Molson Coors formed in 2008. Miller Coors is involved, in the USA and in Puerto Rico, in the manufacture, marketing and distribution of beer brands including Coors Light, Miller Lite, Keystone, Miller High Life, and Blue Moon.¹²
8. MillerCoors is not active in the State and does not generate any turnover within the State.

Miller Brands

9. The Miller Brands comprise a range of trademarks used to sell SABMiller-branded- beers around the world outside of the USA including in the State. The Miller Brands comprise

⁵ For more information on Molson Coors and its international brands see <www.molsoncoors.com> and <www.molsoncoors.com/en/brands>.

⁶ Within the State Molson Coors distributes it branded beers through a third party, Prime Line Logistics.

⁷ Molson Coors states, in correspondence to the Commission dated 6 May 2016, that the distribution of third party brands accounts for only [...] % of Molson Coors' revenue within the State..

⁸ Molson Coors acquired the rights to brew and distribute Cobra beer outside South Asia (including in Ireland) in 2009.

⁹ Molson Coors markets and distributes Grolsch beer in the UK and Ireland under a joint venture with Royal Grolsch N.V.

¹⁰ Molson Coors states, in correspondence to the Commission dated 6 May 2016, [...].

¹¹ Calculated using the annual ECB exchange rate for 2015 of €1 = \$1.1095.

¹² MillerCoors states, in correspondence to the Commission dated 6 May 2016, [...].



Miller Genuine Draft, Miller High Life, and Miller Lite.¹³ Miller Genuine Draft is the only SABMiller-branded beer sold in the State.

10. For the financial year ending 31 December 2015 the Miller Brands' worldwide turnover was approximately €[...] million,¹⁴ of which €[...] million was generated in the State.¹⁵

The Vendor – SAB Miller

11. SABMiller, headquartered in London, UK, is an international brewing company listed on the Johannesburg and London stock exchanges. SABMiller is involved in the manufacture, marketing and distribution of beer in over 80 countries in the world.¹⁶
12. Within the State, SAB Miller is involved in the marketing and distribution of beer, including Miller Genuine Draft, through a third party Richmond Marketing Limited.¹⁷ SAB Miller does not brew beer in the State.

Rationale for the Proposed Transaction

13. The notification states that:

“The principal purpose of the Transaction is to give Molson Coors sole control of MillerCoors, enabling Molson Coors to grow its position in the U.S., benefit from enhanced cash flows, and capture substantial operational synergies amounting to US\$ 200 million (approximately € 180 million) in the first four years. As explained above, Molson Coors will also acquire the Miller Brands, broadening Molson Coors’ international portfolio through the addition of an authentic American beer brand to its current range...”¹⁸

Third Party Submissions

14. No submission was received.

Competitive Analysis

15. There are horizontal overlaps in the activities of the parties to the extent that both Molson Coors brands and the Miller Brands are sold to on-trade and off-trade customers.

¹³ As stated in the Notification, at page 8, after the completion of the proposed transaction, [...].

¹⁴ This figure does not include any turnover in the USA.

¹⁵ Calculated using the annual ECB exchange rate for 2015 of €1 = \$1.1095.

¹⁶ For more information on SABMiller see <<http://www.sabmiller.com>>.

¹⁷ SABMiller states, in correspondence to the Commission dated 6 May 2016, that Richmond Marketing Ltd. has the exclusive right to import and distribute Miller Genuine Draft in the State. See <<http://www.richmondmarketing.com/products/beers-ciders/?age-verified=e8d4a379f6>>.

¹⁸ Notification page 6. See also

<http://www.molsoncoors.com/en/news/united-states/corporate/2015/november/11/molson-coors-to-acquire-full-ownership-of-millercoors>



Market Definition

16. 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 product markets. The Commission's conclusion concerning the competitive effects of the proposed transaction would be unaffected whether the relevant product market is:
- (a) distinguished into separate markets for on-trade and off-trade customers;
 - (b) defined to include all beers of different styles and quality;¹⁹
 - (c) distinguished into separate markets for each different style of beer (e.g., lager, stout, real ale) or quality of beer (e.g., discount, premium or super-premium).
17. In conducting its analysis, the Commission considered the potential competitive effects of the proposed transaction by reference to both broadly and narrowly defined product markets.
18. While it is not necessary in this instance to precisely define a geographic market or markets for the purposes of reviewing the notified transaction, the Commission considers that the relevant geographic market is a national market, i.e., within the State.

Competitive Effects

19. The parties state that approximately [...]% (by value) of total Molson Coors sales revenue in the State is derived from on-trade sale of beer in draught form whereas approximately [...]% (by value) of total Miller Brands sales revenue in the State is derived from off-trade sale of bottled beer.²⁰ Accordingly, as part of its analysis the Commission has reviewed market share data in the following product markets:
- (a) For all beers:
 - (i) a combined on-trade and off-trade market for all beers.
 - (ii) an on-trade market for all beers.
 - (iii) an off-trade market for all beers.
 - (b) For lager:
 - (i) a combined on-trade and off-trade market for lager beer.
 - (ii) an on-trade market for lager beer.

¹⁹ [...].

²⁰ Correspondence from the Parties to the Commission dated 6 May 2016.



(iii) an off-trade market for lager beers.

20. In each of these markets, while the proposed transaction will give rise to a small increase in concentration, it will not result in a substantial lessening of competition. In summary, the small market presence of the Miller Brands, within the State, in terms of turnover and market shares as shown in Tables 1 to 6 below, together with the differences in product mix and customer composition, indicate that Miller Brands does not exert a significant competitive constraint on Molson Coors within the State.
21. Table 1 presents market shares for a combined on-trade and off-trade markets for all beers.

Table 1: National All Beer Market – Combined On and Off Trade Market Shares by Value and Volume, 2015

Brewer/Brand	% (Value)	% (Volume)
Molson Coors	[5-15]%	[5-15]%
Miller Brands	[0-10]%	[0-10]%
Combined	[5-15]%	[5-15]%
Diageo ²¹	[35-45]%	[25-35]%
Heineken ²²	[15-25]%	[15-25]%
ABI ²³	[5-15]%	[5-15]%
Carlsberg ²⁴	[5-15]%	[5-15]%
Other	[5-15]%	[10-20]%

Source: Information provided by the Parties²⁵

²¹ The Diageo market share figure is understated in Tables 1-6. Diageo owns Guinness, Kilkenney, Harp and Smithwicks branded beers. It also brews and markets in the State Carlsberg and Budweiser beers under licence from the owners of those brands. These licensing arrangements, which only concern third parties and not the parties to the proposed transaction, do not affect the Commission's conclusion concerning the competitive effects of the proposed transaction.

²² Heineken owns Heineken, Amstel and Foster branded beers.

²³ ABI owns Budweiser, Stella Artois and Becks branded beers.

²⁴ Carlsberg owns Carlsberg and Tuborg branded beers.

²⁵ Market shares in Tables 1-6 are based on AC Nielsen data for 2015 from "AC Nielsen Off-Trade Database for ROI", and "AC Nielsen On-Trade Database for ROI". The market shares in Table 1 are calculated on the basis of a total market size of €[...] billion and [...] hectolitres.



22. The market shares presented in Table 1 indicate that the proposed transaction will result in a very small increase in market concentration in a combined on-trade and off trade for an all beers market. Thus the proposed transaction is unlikely to significantly affect the market structure within a national market for the sale of beer to on-trade or off-trade customers or to the final consumer.
23. The merged entity will continue to face competition from other large scale competitors such as Diageo, Heineken, ABI and Carlsberg. Other smaller scale competitors are also present in the market and the extent to which they provide a competitive constraint will remain unchanged by the implementation of the proposed transaction.
24. The proposed transaction will not, therefore, lead to a SLC in a combined on-trade and off-trade market for all beers within the State.
25. Tables 2 and 3 present market shares for distinct on-trade and off-trade markets for all beers.

Table 2: National All Beer Market – On Trade Market Shares by Value and Volume, 2015

Brewer/Brand	% (Value)	% (Volume)
Molson Coors	[0-10]%	[0-10]%
Miller Brands	[0-10]%	[0-10]%
Combined	[0-10]%	[0-10]%
Diageo	[45-55]%	[40-50]%
Heineken	[20-30]%	[20-30]%
ABI	[0-10]%	[0-10]%
Carlsberg	[0-10]%	[5-15]%
Other	[5-15]%	[5-15]%

Source: Information provided by the Parties²⁶

²⁶ *Op cit.* footnote 25. The market shares in Table 2 are calculated on the basis of a total market size of €[...] billion and [...] hectolitres.



Table 3: National All Beer Market – Off Trade Market Shares by Value and Volume, 2015

Brewer	% (Value)	% (Volume)
Molson Coors	[10-20]%	[10-20]%
Miller Brands	[0-10]%	[0-10]%
Combined	[15-25]%	[15-25]%
Heineken	[15-25]%	[15-25]%
ABI	[10-20]%	[15-25]%
Diageo	[10-20]%	[0-10]%
Carlsberg	[5-15]%	[5-15]%
Others	[20-30]%	[20-30]%

Source: Information provided by the Parties²⁷

26. The market shares in Table 2, for an on-trade all beers market, are not significantly different to those presented in Table 1 for a combined on-trade and off-trade market for all beers.
27. The market shares in Table 3, indicate that, following completion of the proposed transaction, the merged entity would, by a very small margin, be the market leader in an off-trade all beer market. This does not, however, in itself imply that the proposed transaction will lead to a substantial lessening of competition, as explained below.
28. The proposed transaction is unlikely to significantly affect the market structure within either a national on-trade all beers market or a national off-trade all beers market since the merged entity will continue to face competition from other large scale competitors such as, Heineken and Diageo.²⁸ In addition other smaller scale competitors are also present in the market and the extent to which they provide a competitive constraint will remain unchanged by the implementation of the proposed transaction.

²⁷ *Op cit.* footnote 25. The market shares in Table 3 are calculated on the basis of a total market size of €[...] billion and [...] hectolitres.

²⁸ *Op cit.* footnote 21. The Diageo market share figure does not including the Carlsberg and Budweiser beers which it brews and markets in the State beers under licence from the owners of those brands.



29. The proposed transaction is unlikely, therefore, lead to a SLC in either an on-trade all beers market within the State or an off-trade all beers market within the State.
30. Table 4 presents market shares for a combined on-trade and off-trade lager market.

Table 4: National Lager Market - Combined On and Off Trade Market Shares by Value and Volume, 2015

Brewer	% (Value)	% (Volume)
Molson Coors	[10-20]%	[10-20]%
Miller Brands	[0-10]%	[0-10]%
Combined	[15-25]%	[15-25]%
Heineken	[30-40]%	[25-35]%
ABI	[15-25]%	[15-25]%
Carlsberg	[10-20]%	[10-20]%
Diageo	[0-10]%	[0-10]%
Others	[20-30]%	[10-20]%

Source: Information provided by the Parties²⁹

31. The market shares presented in Table 4 show a market share for the merged entity in a combined on-trade and off-trade lager market of [...] % (by value and volume). This is approximately twice that of the comparable figures in comparable all-beer market. However, the accretion in market share as a result of the proposed transaction, [...] % by value and by volume, is not significant.
32. The merged entity will also continue to face competition from other large scale competitors such as, Heineken and Diageo.³⁰ Other smaller scale competitors are also present in the lager market and the extent to which they provide a competitive constraint will remain unchanged by the implementation of the proposed transaction.

²⁹ *Op cit.* footnote 25. The market shares in Table 4 are calculated on the basis of a total market size of €[...] billion and [...] hectolitres.

³⁰ *Op cit.* footnote 21. The Diageo market share figure does not including the Carlsberg and Budweiser beers which it brews and markets in the State beers under licence from the owners of those brands.



33. The proposed transaction will not, therefore, lead to an SLC in a combined on-trade and off-trade lager market within the State.
34. Tables 5 and 6 present market shares for distinct on-trade and off-trade markets for lager.

Table 5: National Lager Market - On Trade Market Shares by Value and Volume, 2015

Brewer/Brand	% (Value)	% (Volume)
Molson Coors	[10-20]%	[10-20]%
Miller Brands	[0-10]%	[0-10]%
Combined	[10-20]%	[10-20]%
ABI	[20-30]%	[20-30]%
Heineken	[15-25]%	[15-25]%
Carlsberg	[10-20]%	[15-25]%
Diageo	[0-10]%	[0-10]%
Other	[20-30]%	[0-10]%

Source: Information provided by the Parties³¹

³¹ *Op cit.* footnote 25. The market shares in Table 5 are calculated on the basis of a total market size of €[...] billion and [...] hectolitres.



Table 6: National Lager Market - Off Trade Market Shares by Value and Volume, 2015

Brewer	% (Value)	% (Volume)
Molson Coors	[10-20]%	[10-20]%
Miller Brands	[0-10]%	[0-10]%
Combined	[15-25]%	[10-25]%
ABI	[20-30]%	[20-30]%
Heineken	[15-25]%	[15-25]%
Carlsberg	[5-15]%	[5-15]%
Diageo	[0-10]%	[0-10]%
Others	[20-30]%	[20-30]%

Source: Information provided by the Parties³²

35. The market shares in Table 5, for an on-trade lager market are virtually identical to those presented in Table 4 for a combined on-trade and off-trade lager market.
36. The market shares in Table 6, for an off-trade lager market, are only slightly higher, at [...] % compared to [...] % by value and volume, in comparison to the market shares presented in Table 4 for a combined on-trade and off-trade lager market.
37. The proposed transaction is unlikely to significantly affect the market structure within a national on-trade lager market or a national off-trade lager market.
38. The merged entity will continue to face competition from other large scale competitors such as, Heineken and Diageo.³³ Other smaller scale competitors are also present in the market and the extent to which they provide a competitive constraint will remain unchanged by the implementation of the proposed transaction.
39. The proposed transaction will not, therefore, lead to an SLC in either an on-trade lager market within the State or an off-trade lager market within the State.

³² *Op cit.* footnote 25. The market shares in Table 4 are calculated on the basis of a total market size of €[...] billion and [...] hectolitres.

³³ *Op cit.* footnote 21. The Diageo market share figure does not including the Carlsberg and Budweiser beers which it brews and markets in the State beers under licence from the owners of those brands.



Conclusion

40. 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

41. No ancillary restraints were notified.



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 transaction whereby Molson Coors Brewing Company would acquire from SABMiller plc its shares in MillerCoors LLC and Intellectual property rights, outside of the USA, to various trademarks related to Miller branded beers 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