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PUBLIC VERSION

In the published version of this decision, some information has been omitted pursuant to Article 17(2) of Council Regulation (EC) No 139/2004 concerning non-disclosure of business secrets and other confidential information. The omissions are shown thus […]. Where possible the information omitted has been replaced by ranges of figures or a general description.

The Carlyle Group, Inc.
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London SW1Y 4AH
United Kingdom

Subject: **Case M.10603 – CARLYLE / ALTADIA**
Commission decision pursuant to Article 6(1)(b) of Council Regulation No 139/2004[1] and Article 57 of the Agreement on the European Economic Area[2]

Dear Sir or Madam,

(1) On 14 February 2022, the European Commission received notification of a proposed concentration pursuant to Article 4 of the Merger Regulation by which The Carlyle Group, Inc. ("Carlyle", USA) proposes to acquire within the meaning of Article 3(1)(b) of the Merger Regulation LSFX Flavum Topco, S.L. ("Altadia", Spain) (the "Transaction").[3] Carlyle is designated hereinafter as the "Notifying Party" and, together with Altadia, the "Parties".

1 OJ L 24, 29.1.2004, p. 1 (the "Merger Regulation"). With effect from 1 December 2009, the Treaty on the Functioning of the European Union ("TFEU") has introduced certain changes, such as the replacement of "Community" by "Union" and "common market" by "internal market". The terminology of the TFEU will be used throughout this decision.

2 OJ L 1, 3.1.1994, p. 3 (the "EEA Agreement").

3 Publication in the Official Journal of the European Union No C 087, 23.2.2022, p. 15.

1. THE PARTIES

(2) Carlyle is a global alternative asset manager, which manages funds investing globally across three investment disciplines: (i) Global Private Equity (including corporate private equity, real estate and natural resources funds); (ii) Global Credit (including liquid credit, illiquid credit and real assets credit); and (iii) Investment Solutions (private equity fund of funds program, which include primary fund, secondary and related co-investment activities). Carlyle is listed on the NASDAQ.

(3) Altadia is controlled by Lone Star Funds (US) and is engaged in the development, production and marketing of ceramic tile intermediates that are used in the construction trade (*i.e.*, in floors, walls and countertops) and not for other types of ceramic products (*e.g.*, porcelain dinnerware or other items). Altadia is headquartered in Spain and has 19 manufacturing sites and 12 compounding plants.

2. THE CONCENTRATION

(4) The Transaction concerns an acquisition of sole control, within the meaning of Article 3(1)(b) of the Merger Regulation, by Carlyle over Altadia. Pursuant to a share purchase agreement, dated 17 December 2021, Carlyle will acquire, […], sole control over Altadia by way of purchase of shares from Lone Star Funds.

3. UNION DIMENSION

(5) The undertakings concerned have a combined aggregate worldwide turnover of more than EUR 5 000 million in 2020 (Carlyle: EUR […]; Altadia: EUR […])[4]. Each of them has a Union-wide turnover in excess of EUR 250 million in 2020 (Carlyle: EUR […]; Altadia: EUR […]), but they do not achieve more than two-thirds of their aggregate Union-wide turnover within one and the same Member State. The Transaction therefore has a Union dimension.

4. RELEVANT MARKETS

(6) The Transaction gives rise to vertical overlaps between the activities of Altadia and one of Carlyle's portfolio companies – Traxys.

(7) Traxys is a physical commodity trader and merchant of non-ferrous metals, ferro-alloys, minerals, industrial raw materials, and uranium. Certain of those commodities are inputs to Altadia's ceramic tile intermediates, namely frits and glazes, glaze stains, digital inks, and body stains.

(8) More specifically, the relevant vertical relationships relate to the following markets:

(a) a number of markets for metal and mineral commodities, namely cerium oxide, molybdenum oxide, potassium carbonate, sodium carbonate, vanadium pentoxide, wollastonite, and zircon oxide (the "**Relevant Commodities**"), where Traxys is active; and

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4 Turnover calculated in accordance with Article 5 of the Merger Regulation.

(b) a number of markets for ceramic tile intermediates, namely frits and glazes, glaze stains, digital inks, and body stains, where Altadia is active.

4.1. Metal and mineral commodities (upstream)

4.1.1. The Commission's previous decisional practice

(9) In previous decisions, the Commission found that both producers and traders of metal commodities compete for sales to the same customers and are thus part of the same product market.[5]

(10) The Commission has previously assessed some of the metal and mineral commodities relevant in this case:

(a) **Sodium carbonate or soda ash (Na_2CO_3):** The Commission previously defined a separate market for sodium carbonate and left open whether a further distinction between light and dense sodium carbonate is necessary.[6] The Commission previously considered that the market is national or wider in scope.[7]

(b) **Vanadium oxide (V_2O_5):** The Commission previously considered that high-purity vanadium oxides do not belong to the same market with standard grade vanadium oxides.[8] The Commission left open whether any further segmentation is required for standard grade vanadium oxides. The Commission concluded that the markets for vanadium oxides are likely global.[9]

(c) **Wollastonite ($CaSiO_3$):** The Commission considered wollastonite in the context of an assessment of potential conglomerate effects, but did not reach any conclusions concerning the appropriate product or geographic market.[10]

(d) **Zircon oxide (ZrO_2), potassium carbonate (K_2CO_3), cerium oxide (CeO_2), molybdenum oxide (Mo_2O_3):** The Commission did not previously assess the relevant markets for these commodities.

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5 See Case M.6451 – *Glencore / Xstrata*, paragraph 41.

6 See Case M.6230 – *Solvay / Rhodia*, paragraph 61. Considering a potential segmentation of the market for sodium carbonate by light and dense soda ash, the Notifying Party submits that, on the one hand, Traxys only offers dense soda ash and its market share on this segment would not significantly differ from its market share on the overall market for sodium carbonate. On the other hand, Altadia only uses dense soda ash as an input and its share of demand for dense soda ash in the EEA is negligible, i.e., below [0-5]%.

7 See Case M.3024 – *Bain Capital / Rhodia*, paragraph 17.

8 Considering a potential segmentation of the market for vanadium oxide by high-purity vanadium oxides and standard grade vanadium oxides, the Notifying Party submits that, on the one hand, Traxys only offers standard grade vanadium oxides and its market share on this segment would not significantly differ from its market share on the overall market for vanadium oxide. On the other hand, Altadia only uses standard grade vanadium oxides as an input and its share of demand for standard grade vanadium oxides in the EEA is negligible, *i.e.*, below [0-5]%.

9 See Case M.4494 – *Evraz / Highveld*, paragraphs 26-27 and 51.

10 See Case M.7456 – *Imerys / S&B Minerals*, paragraph 7.

4.1.2. The Notifying Party's view

(11) The Parties present a separate product market for each raw material for which a supply relationship between Traxys and Altadia could exist, but consider that ultimately the appropriate product market definition can be left open, as the Transaction does not raise competitive concerns under either definition.[11]

(12) The Notifying Party submits that the geographic market for the relevant metal and mineral commodities is at least EEA-wide, if not global, but that the geographic market definition can be left open as the Transaction does not raise competitive concerns under either definition.[12]

4.1.3. The Commission's assessment

(13) For the purposes of the present Decision, and in light of Traxys' minimal market shares upstream under any plausible market definition, the appropriate product and geographic market definition for upstream metal and mineral commodities can be left open. In the present Decision, the Commission will assess the market by commodity on EEA-level.[13]

4.2. Ceramic tile intermediates (downstream)

4.2.1. The Commission's previous decisional practice

(14) The Commission has not previously assessed any of the ceramic tile intermediates relevant to the present Decision. A number of national competition authorities, however, have considered in their practice the markets for ceramic tile intermediates.[14] According to national precedents, each of the markets for frits & glazes, glaze stains, digital inks, and body stains would represent a separate product market. In relation to geographic market definitions, while the Polish competition authority considered the market for frits & glazes, glaze stains, and digital inks as EEA-wide in scope, the Spanish competition authority considered them national.[15] No conclusion has been adopted in relation to body stains.

4.2.2. The Notifying Party's view

(15) The Notifying Party segments Altadia's activities into the following relevant product markets: (i) frits & glazes, (ii) glaze stains, (iii) digital inks, and (iv) body stains, but submits that ultimately the appropriate product market can be left open, as the

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11 Form CO, paragraphs 102 and 104.

12 Form CO, paragraphs 103-104.

13 The Notifying Party indicates that for sodium carbonate, a product for which the Commission previously left open the possibility of a national geographic market definition, Traxys' market share would not be significantly different at national and EEA level.

14 See, in particular, the following decisions adopted by the Spanish Competition Authority: case C/1116/20, *Pigments/Ferro Corporation*; case C/0882/17, *LSFX Flavum Bidco S.L. / Pigments*; case C/0449/12, *IVC/ Esmalglass*; case C/0917/09, *Ferro/ Heraus* and the decision of the Polish Competition Authority in case DKK-2.421.27.2020.NL.

15 The Notifying Party submits that Altadia's market share would not be significantly different at national level.

Transaction does not give rise to competition concerns under any plausible definition.[16]

(16) The Notifying Party submits that all downstream markets are EEA-wide in scope.

4.2.3. The Commission's assessment

(17) For the present Decision, the appropriate product and geographic definitions of the downstream market can be left open, as the Transaction does not give rise to competitive concerns under any plausible market definition.

(18) In particular, for the present Decision, it is not necessary to explore the possibility for a narrower product or geographic market definition than that described by the Notifying Party, since competition concerns can be excluded under any plausible market definition.

(19) Therefore, for the purposes of the present Decision, the Commission will perform its assessment on the basis of separate EEA-wide product markets for (i) frits & glazes, (ii) glaze stains, (iii) digital inks, and (iv) body stains, as the competitive assessment would not be significantly different, even under the narrowest scope possible.

5. COMPETITIVE ASSESSMENT

(20) The table below shows the Parties' market shares upstream and downstream for each of the affected vertical relationships.

Table 1: Volume based market shares for vertically affected markets (EEA, 2020)[17]

		Altadia (downstream)			
		Frits & glazes	**Glaze stains**	**Digital Inks**	**Body stains**
Traxys (upstream)	**Cerium Oxide**	[30-40]% [0-5]%		[40-50]% [0-5]%	
	Molybdenum Oxide		[60-70]% [0-5]%	[40-50]% [0-5]%	[50-60]% [0-5]%
	Potassium Carbonate	[30-40]% [0-5]%			[50-60]% [0-5]%
	Sodium Carbonate				[50-60]% [0-5]%
	Vanadium Pentoxide			[40-50]% [0-5]%	
	Wollastonite	[30-40]% [0-5]%		[40-50]% [0-5]%	
	Zircon Oxide		[60-70]% [0-5]%	[40-50]% [0-5]%	

Source: the Notifying Party.

16 Form CO, paragraphs 88-95.

17 Value based market shares do not differ materially from volume based market shares.

(21) For each of the affected vertical relationships, Traxys' market share is very low (always below [0-5]%). Vertically affected relationships therefore only arise by virtue of Altadia's market position downstream. Consequently, there is no risk of an input foreclosure scenario as a result of the Transaction, and this decision will only further assess the possibility of customer foreclosure.

5.1. The Notifying Party's view

(22) The Notifying Party submits that the Transaction does not raise customer foreclosure concerns as the merged entity will have no ability nor incentive to engage in customer foreclosure. The Notifying Party argues that:

(a) Traxys does not supply Altadia nor any other ceramic tile intermediate producers, but only customers active in other sectors.[18]

(b) The ceramic tile intermediates industry as a whole only covers a very small fraction of the total demand for all of the Relevant Commodities. Altadia's purchases represent significantly less than 1% (effectively nil) of total demand.[19]

(c) In addition to its lack of ability to foreclose, Altadia does not have any economic incentive to allocate all its requirements to Traxys. In fact, Altadia has a strong incentive to diversify its purchases to keep its costs under control.[20]

5.2. The Commission's assessment

(23) All of the Relevant Commodities have a far broader field of downstream uses than ceramic tile intermediates. Industries, such as chemicals, energy, steel, shipping, construction or automotive, buy the Relevant Commodities in far greater quantities than ceramic tile intermediate manufacturers such as Altadia.

(24) This is illustrated by the fact that Altadia's purchases of the Relevant Commodities were around […] in 2021, while the total upstream markets has a size of approximately 9.3 million tons, *i.e.* a share of total demand far below 1%.

(25) Altadia – and the ceramic tile intermediate industry as a whole – is not an important customer of any of the Relevant Commodities, as illustrated by the fact that Traxys did not have any sales to Altadia in the last three years, and, in fact, Traxys does not currently supply any other ceramic tile intermediates manufacturer.

(26) Based on the above, the Commission considers that the merged entity has no ability to engage in a customer foreclosure strategy post-Transaction.

(27) In addition to this clear lack of ability, the merged entity has no clear incentive to engage in customer foreclosure. Considering the negligible part of total demand represented by the merged entity for the Relevant Commodities, the merged entity would not receive any advantages from a customer foreclosure strategy. The merged

18 Form CO, paragraph 135.
19 Form CO, paragraph 138.
20 Form CO, paragraph 140.

entity would be better served by exploring the market for the most attractive offers for each of the Relevant Commodities in order to maintain a diverse supply base.

(28) In conclusion, the Transaction does not give rise to serious doubts as to its compatibility with the internal market or a substantial part thereof in relation to vertical effects for any of the vertical links set out in Table 1.

6. CONCLUSION

(29) For the above reasons, the European Commission has decided not to oppose the notified operation and to declare it compatible with the internal market and with the EEA Agreement. This decision is adopted in application of Article 6(1)(b) of the Merger Regulation and Article 57 of the EEA Agreement.

For the Commission

(Signed)
Margrethe VESTAGER
Executive Vice-President