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**Common Market for Eastern
and Southern Africa**

Case File No. CCC/MER/1/05/2022

**Decision¹ of the Eighty-Third (83rd) Committee Responsible
for Initial Determinations Regarding the Proposed Merger
involving Timber Servicios Empresariales S.A. and LSF
Flavum Topco, S.L.**

ECONOMIC SECTOR: Construction

31 May 2022

¹ In the published version of this decision, some information has been omitted pursuant to Rule 73 of the COMESA Competition Rules concerning non-disclosure of business secrets and other confidential information. Where possible, the information omitted has been replaced by ranges of figures or a general description.

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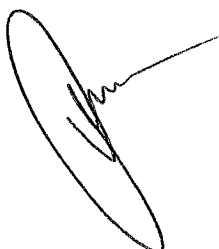
Introduction and Relevant Background

1. On 7th February 2022, the COMESA Competition Commission (the "**Commission**") received a notification involving Timber Servicios Empresariales S.A. ("**Timber**") as the acquiring undertaking and LSFX Flavum Topco, S.L. ("**Altadia**") as the target undertaking, pursuant to Article 24(1) of the COMESA Competition Regulations of 2004 (the "**Regulations**").
2. Pursuant to Article 26 of the Regulations, the Commission is required to assess whether the transaction between the parties would or is likely to have the effect of substantially preventing or lessening competition or would be contrary to public interest in the Common Market.
3. Pursuant to Article 13(4) of the Regulations, there is established a Committee Responsible for Initial Determinations, referred to as the CID. The decision of the CID is set out below.


The Parties

Timber (the Acquiring Undertaking)

4. Timber is a newly formed company incorporated under the laws of Spain, which has been established for purposes of the notified transaction. Timber does not control any firms in the Common Market or elsewhere.
5. Timber is ultimately indirectly controlled by funds managed by affiliates of the Carlyle Group Inc ("**Carlyle**"). Carlyle is a publicly traded company domiciled in the United States of America and listed on the NASDAQ stock exchange. Carlyle is a global alternative asset manager, which manages funds that invest 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).
6. Carlyle and its subsidiaries are collectively referred to as the "**Acquiring Group**". In the Common Market, through controlled portfolio companies, the Acquiring Group is active in a wide range of sectors, including pharmaceutical, energy and petroleum, food, and telecommunications, amongst others.
7. The Acquiring Group is active in the following Member States: Burundi, Comoros, Democratic Republic of Congo ("**DRC**"), Djibouti, Egypt, Eritrea, Eswatini,



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Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Somalia, Sudan, Tunisia, Uganda, Zambia and Zimbabwe.

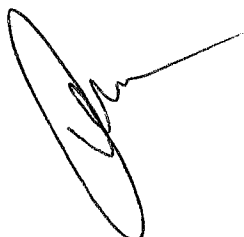
Altadia (the Target)

8. The parties have submitted that Altadia has been incorporated under the laws of Spain.
9. Altadia is engaged in the development, production and marketing of ceramic tile intermediates only for ceramic tiles 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). Ceramic tile intermediates are inputs in the tile production process that provide strength, protection, durability, decoration, and other characteristics of the ceramic tile.
10. Altadia's activities² are split into four main business units:
 - i) Frits & Glazes: which are used for tile waterproofing, strength, protection and decoration;
 - ii) Glaze Stains: which are pigments for tile surfaces using traditional technology;
 - iii) Digital Inks: which are pigments for tile surfaces using digital technology and
 - iv) Body Stains: which are pigments for the body of the tiles.
11. The Target and all firms controlled by it are collectively referred to as the "**Target group**". The parties submitted that the only entity controlled by the Target group that is physically present in the Common Market is Younexa Egypt for Frits and Glazes S.A.E. which has its registered address at First Industrial Zone, Kom Oshim, Fayoum, 63511, Egypt. The parties further submitted that Younexa Egypt for Frits and Glazes S.A.E. has a presence in Egypt only.
12. Altadia is active in the following Member States: Egypt, Libya, Sudan and Tunisia.

Jurisdiction of the Commission

13. Article 24(1) of the Regulations requires 'notifiable mergers' to be notified to the Commission. Rule 4 of the Rules on the Determination of Merger Notification

² The parties further submitted, for the sake of completeness, that Altadia also sells small volumes of marginally produced "other intermediate products" which are e.g. added to glazes and inks to aid the application of Altadia's products to the body and/or surface of a ceramic tile. These are incidental sales that are linked to the sale of Altadia's main products and are not generally sold on a standalone basis.



Thresholds and Method of Calculation (the “**Merger Notification Thresholds Rules**”) provides that:

Any merger, where both the acquiring firm and the target firm, or either the acquiring firm or the target firm, operate in two or more Member States, shall be notifiable if:

- a) *the combined annual turnover or combined value of assets, whichever is higher, in the Common Market of all parties to a merger equals or exceeds COM\$ 50 million; and*
 - b) *the annual turnover or value of assets, whichever is higher, in the Common Market of each of at least two of the parties to a merger equals or exceeds COM\$ 10 million, unless each of the parties to a merger achieves at least two-thirds of its aggregate turnover or assets in the Common Market within one and the same Member State.*
14. The merging parties have operations in more than two COMESA Member States. The parties’ combined annual asset value in the Common Market exceeds the threshold of USD 50 million and they each hold asset value of more than USD 10 million in the Common Market. In addition, the merging parties do not achieve more than two-thirds of their respective COMESA-wide asset value within one and the same Member State. The notified transaction is, therefore, notifiable to the Commission within the meaning of Article 23(5)(a) of the Regulations.

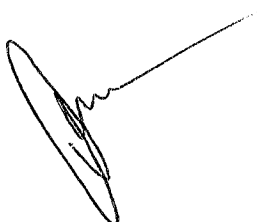
Details of the Merger

15. The notified transaction involves Timber acquiring sole control of Altadia where Timber will hold 100% shareholding in Altadia post transaction. The parties have submitted that post the transaction, Carlyle will indirectly control over 90% of the share capital of the Target and have sole control of the latter. The parties further submitted that it is anticipated that some individual sellers will reinvest part of the proceeds from the sale into a small share of Timber’s share capital (approximately 10%) immediately after closing of the transaction. The individual sellers will have no board seat or controlling rights in Timber and will, therefore, hold a non-controlling stake in Timber.

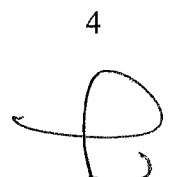
Competitive Assessment

Relevant Markets

16. The CID noted that no categories of products and/or services supplied by the Acquiring group and Target may be considered as similar, reasonably interchangeable or substitutable. For this reason, the CID’s assessment has focussed on the products supplied by the target.



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17. The target operates in the broad market for ceramic tiles intermediates. The intermediate products supplied by the target are: (i) Frits & Glazes; (ii) Glaze Stains; (iii) Digital Inks and (iv) Body Stains. The latter products perform distinct functions within the production process and may not be substitutable with each other.

Frits, Glazes and Glaze Stains

18. Ceramic tiles are coated with a glaze, which is in the form of a liquid applied on the tile and thereafter baked on the surface of the tile. Glazes are produced by mixing frits with other raw materials (for instance, zinc, zirconium or borates), pigments or opacifiers in a melting kiln at high temperature³. A frit is a type of ceramic glass that predominantly consists of silica, diboron trioxide, and soda⁴. Frits are, therefore, a component of glazes and generally form the basis of a glaze recipe⁵. Glazes make up the hard lustrous layer on the tile surface and are mainly used for protecting the ceramic tiles. Colours and design may be added to the glaze which then gives the ceramic tile its smooth or textured surface. In addition, the glazing of the tile also provides waterproofing and strength.
19. There are different types of glazes, in terms of their physical state (gloss, matte, speckled, textured) and form of packaging (dry, liquid pint, liquid gallon)⁶. While different types of glazes exist, the CID considered that further segmentation is not warranted as most producers offer a variety of glazes, which suggest that in the event of a hypothetical small but permanent increase in the price of one type of glaze, they would be able to switch production from other type of glaze without incurring significant costs or risks.
20. From a customer point of view, a customer's demand comprises of the integrated product of frits and glaze, given the intended purpose of the frits and glazes which is to serve as a coating to the ceramic body of the tile.
21. Glaze stains, on the other hand, are pigments used as ingredients in the production of coloured glazes and inks which are mixed together with substrates and deposited on ceramic tile surfaces to achieve the desired colour. The stain is one of the components which will go into the glazing to produce the desired colour for the ceramic tile and give the tile the desired aesthetic look.

³ Carlos Gonzalvo Lucas & Dr. Manuel Irún Molina, "The manufacture of frits, glazes and ceramic colours. Social, economic and environmental challenges in the international context" (2006) www.qualicer.org/recopilatorio/ponencias/pdfs/0611010e.pdf accessed 11th March 2022

⁴ www.theceramicshop.com/store/category/7/9/frits/ Accessed 11th March 2022

⁵ <https://walkerceramics.com.au/products/materials/frits/> accessed 11th March 2022

⁶ Carlos Gonzalvo Lucas & Dr. Manuel Irún Molina, "The manufacture of frits, glazes and ceramic colours. Social, economic and environmental challenges in the international context" (2006) www.qualicer.org/recopilatorio/ponencias/pdfs/0611010e.pdf accessed 11th March 2022

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22. The CID noted that glaze stains are a component of the glaze process and that frits, glazes and glaze stains are usually supplied by the same manufacturers, as is the case of the target. The CID, therefore, considered that there is one single market for frits, glazes and glaze stains.

Digital Inks

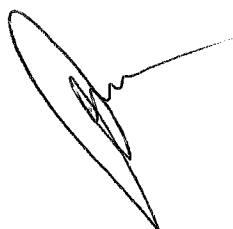
23. Digital inks are used to colour and decorate tile surfaces that have already been glazed, through the use of digital printers, to produce coloured patterns and other aesthetic features on the tile surface. The parties submitted that Altadia's inks are pigments for tile surfaces using digital technology. The parties further submitted that digital technology is gradually substituting glaze stains and traditional inks for decoration purposes as it improves design, reduces waste and total costs for tile producers. The parties explained that digital effects are used to decorate tile surfaces in combination with digital ink to provide additional design possibilities (e.g., reliefs).
24. Ceramic tile decoration is principally making use of inkjet printing nowadays with the rapid advances in technology⁷. The CID considered that from both a demand and supply side, digital inks cannot be substituted with traditional ink or glaze stains, as the production process and final results are likely to differ. The CID thus concluded that there is a distinct market for digital inks.

Body Stains

25. Body stains are used to colour the base of the tile, which are obtained by the mixing, calcination and crushing of raw materials into pigments to create different colours. Body stains are mixed directly with the clay from which tiles are formed and cannot be applied to a tile in several layers (as glazes can be) to produce a surface design. Altadia's body stains are pigments for the body of the tiles.
26. Body stains are the colour ingredient which is used to colour the base or body of the ceramic tile. Given its intended use, the CID considered that body stains are distinct from the other intermediates and constitute a distinct product market.
27. Based on the above assessment, the CID identified the following relevant product markets for purposes of this competition assessment:
- i) The supply of frits, glazes and glaze stains;
 - ii) The supply of digital inks; and
 - iii) The supply of body stains.

⁷ Michele Dondi, Magda Blosi, Davide Gardini, Chiara Zanelli, Paolo Zannini, "Ink technology for digital decoration of ceramic tiles: an overview"

www.qualicer.org/recopilatorio/ponencias/pdfs/08%20PON%20ING.pdf accessed 11th March 2022



Relevant Geographic Market

28. The parties submitted that the relevant geographic market for frits and glazes is wider than national - for example, Altadia supplies all of its customers in Europe, Middle East and Africa region (including customers in, e.g., COMESA, Italy, Portugal, Russia, Turkey, India and South Africa) with frits and glazes produced at its facilities in Spain. Accordingly, the parties consider that producers of frits and glazes compete at least regionally or globally, as if there were any appreciable increase in the prices of frits and glazes in a given country or region, customers, that is ceramic tile manufacturers, would readily switch to frits and glazes produced elsewhere.
29. Further, the mixing of glaze stains with basic glazes is a simple process, and customers do not require a local presence or technical support in this product area. In addition, digital inks and glaze stains weigh relatively little and are low in volume, so that transportation costs (as a percentage of sales value) are low. The parties submitted that competition in relation to body stains is substantially cross-border, as many suppliers (e.g., Colorobbia, Torrecid) trade on at least a regional-wide basis, and often worldwide.
30. The CID noted that the players in the respective products markets for the supply of frits and glazes, glaze stains, digital inks and body stains are mostly international players with players from Europe or China⁸. This suggests that the importation of such products into the Common Market is subject to low or insignificant barriers. For this reason, the CID construed the relevant geographic reach for each of the identified product market as global.

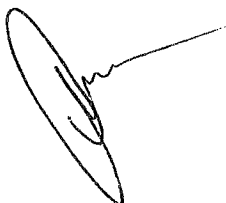
Market Shares and Concentration

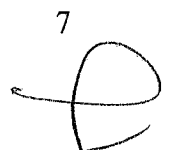
31. The parties have provided the following estimated market shares information for key competitors in each of the relevant markets in the Common Market as per Tables 1 to 4 below:

Table 1 – Estimated Market Share for suppliers of frits and glazes in the Common Market

Supplier	Non-Confidential Market Shares (%)
Altadia	[35 – 45]
Arkan	[15 – 25]
Fritage	[10 – 20]
Torrecid	[5 -15]
Colorobbia	[0 -10]

⁸ For instance, Baykara GmbH in Germany, Torrecid in Spain, Zibo Belief Glaze Company and Shenzhen Jimy Glass Co., Ltd in China.



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Minas	[0 -10]
Others (Proceram, Vernís, Coloronda)	[0 -5]

Table 2 – Estimated Market Share for suppliers of glaze stains in the Common Market

Supplier	Non-Confidential Market Shares (%)
Torrecid	[25 – 35]
Chinese Suppliers	[25 -35]
Colorobbia	[20 – 30]
Others	[10 – 15]
Altadia	[0 – 10]

Table 3 – Estimated Market Share for suppliers of digital inks in the Common Market

Supplier	Market Shares (%)
Altadia	[55 – 65]
Others	[15 – 25]
Torrecid	[10 – 20]
Sicer	[0 -10]

Table 4 – Estimated Market Share for suppliers of body stains in the Common Market

Supplier	Market Shares (%)
Torrecid	[25 – 35]
Colorobbia	[25 – 35]
Altadia	[15 – 25]
Others	[15 -25]

32. The CID noted the significant market shares of Altadia in the Common Market for the respective supply of frits, glazes and glaze stains and digital inks. The CID further noted that Altadia is the second largest supplier of body stains in the Common Market, with a market share of [15-25]%. This notwithstanding, the transaction will not lead to any market share accretion in the relevant markets in view of the absence of overlap between the activities of the merging parties in the Common Market pre-merger.
33. The CID thus concluded that the transaction in itself would not create incentives for the merging parties to act in a manner which is anti-competitive independently

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of their competitors or customers as it will not result in market share accretion or vertical integration or any other change in market conditions that could motivate the parties to protect either party's pre-merger market share at the expense of competition in the relevant markets.

34. The CID further took note of the parties' submission that they have no plans to retrench employees in any COMESA Member State as a result of the transaction.

Consideration of Third-Party Views

35. Submissions were received from DRC, Egypt, Eswatini, Ethiopia, Kenya, Madagascar, Mauritius, Seychelles, and Zimbabwe which did not raise any concerns as a result of the transaction given that the parties do not operate as competitors pre-merger.

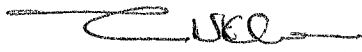
Determination

36. Based on the foregoing reasons, the CID determined that the merger is not likely to substantially prevent or lessen competition in the Common Market or a substantial part of it, nor be contrary to public interest. The CID further determined that the transaction is unlikely to negatively affect trade between Member States.
37. The CID, therefore, approved this transaction. This decision is adopted in accordance with Article 26 of the Regulations.

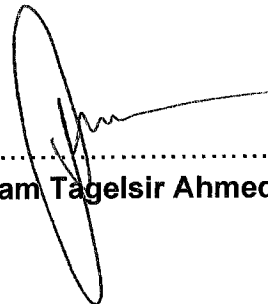
Dated this 31st day of May 2022



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Commissioner Mahmoud Momtaz (Chairperson)



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Commissioner Vincent Nkhoma



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Commissioner Islam Tagelsir Ahmed Alhasan