



DETERMINATION OF MERGER NOTIFICATION M/08/026 – ITW/AVCo

Section 21 of the Competition Act 2002

Proposed acquisition by Illinois Tool Works Inc. of A V Co 1 Limited

Dated 18/09/08

Introduction

1. On 27 August 2008, the Competition Authority (“the Authority”), in accordance with section 18(1)(a) of the Competition Act 2002 was notified on a mandatory basis of the proposed acquisition by Illinois Tool Works Inc. (“ITW”), via a wholly-owned subsidiary ITW Global Investments Inc., of the entire issued share capital (representing sole control) of A V Co 1 Limited (“AVCo”).

The Undertakings Involved

The Acquirer: Illinois Tool Works Inc.

2. ITW is a publicly held and registered company with the New York Stock Exchange. It is a worldwide manufacturer of highly engineered products and specialty systems for customers around the world. It is a Fortune 200 diversified manufacturing company with some 60,000 employees and 825 decentralised business units in 52 countries, which are organised into the following segments:
 - Industrial packaging;
 - Power systems and electronics;
 - Transportation;
 - Construction;
 - Food equipment;
 - Decorative surfaces;
 - Polymers and fluids; and,
 - All other.
3. A number of ITW’s subsidiaries and divisions maintain a physical presence in the State. ITW Ireland is the legal entity holding a number of divisions, whose activities include:
 - Supplying fresh food weighing systems and related software;
 - Manufacturing heat transfer systems and high frequency welded graphics for the textile printing industry;

- Designing and manufacturing custom filters;
 - Manufacturing packaging solutions including box-strapping, film, wrapping machines and carriers for bottles and cans;
 - Manufacturing and selling adhesives and sealants; and,
 - Manufacturing maintenance and repair products used in general and marine industries, power generation, quarrying and cement manufacture.
4. Irish-registered subsidiaries of ITW also operate a full die cutting/converting facility and design and sell computer aided design software to the construction industry. There is also an Irish-registered holding company and a number of dormant Irish-registered companies.
 5. For the financial year ended 31 December 2007, ITW's worldwide turnover was approximately \$16,170,611,000 (€11.8 billion).¹ Its turnover in the State over the same period was \$[...] (€[...]).²

The Target: A V Co 1 Limited

6. AVCo is the holding company of the Avery Weigh-Tronix group ("AWT Group") and is a leading global provider of industrial weighing solutions. The AWT Group designs, manufactures, markets and services a broad range of high quality industrial weighing products and systems worldwide. The company is headquartered in Birmingham, UK, and has additional manufacturing facilities in North America and Asia.
7. AVCo's subsidiary, Berkel (Ireland) Limited ("AWT"), operates out of premises in the State (six locations), Northern Ireland and the Isle of Man. AWT offers the full range of AWT Group products, solutions and services direct to end user companies.
8. AVCo's worldwide turnover for the year ended 29 March 2008 is approximately stg£[...] (€[...]).³ Its turnover in the State over the same period is approximately stg£[...] (€[...]).⁴

Analysis

Overlap

9. ITW and AWT both supply weighing equipment on the island of Ireland. The weighing equipment supplied by ITW is of a type typically used in the retail sector. AWT focuses on its industrial weighing business - industrial weighing solutions are designed to handle large capacity loads. The parties' products are designed to meet different user needs and have different computer software and supporting technologies, which are targeted to the individual needs of the user. Therefore, the only overlap between the activities of the parties which will be

¹ Currency conversion provided by the notifying parties, using the average interbank exchange rate for the one year period ended 31 December 2007.

² Currency conversion provided by the notifying parties, using the average interbank exchange rate for the one year period ended 31 December 2007.

³ Currency conversion provided by the notifying parties, using the average interbank exchange rate for the one year period ended 31 March 2008.

⁴ Currency conversion provided by the notifying parties, using the average interbank exchange rate for the one year period ended 31 March 2008.

considered in this Determination is with respect to a specific overlap in checkweighers.

10. ITW supplies checkweighers in the State through a third party distributor and AWT directly supplies both its own and third party checkweighers. Checkweighers are quality assurance instruments that determine whether the weight of a given product falls within acceptable, predetermined parameters.
11. [...] The total annual turnover of the combined entity in checkweighers is less than [5-10]% of the total market value.
12. The checkweighers supplied by the parties are not close substitutes. The ITW products are in-line automatic medium- to high- volume products mainly supplied to commercial food processors, whilst the AWT checkweighers are smaller-scale, stand-alone products with a manual lifting element or are specially designed checkweighers manufactured on a custom basis.
13. In light of the above considerations, the Authority therefore considers that the proposed transaction does not raise competition concerns.

Ancillary Restraints

14. Clause 11 of the Share Purchase Agreement contains various restrictions, which the parties claim are to protect the value of the assets transferred and are necessary to ensure that ITW is able to exploit relevant commercial relationships of the AWT Group as well as assimilate its technical processes. The restrictions are:
 - limited in subject matter to [...]. In addition, the covenants that restrict certain individuals' freedom of action on the market are limited to [...];
 - limited in duration to [...]; and,
 - limited in geographical scope to [...].
15. The parties have satisfied the Authority that the restraints set out in the Share Purchase Agreement are directly related and necessary to the implementation of the proposed transaction.

Determination

16. 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 by Illinois Tool Works Inc. of sole control of A V Co 1 Limited will not be to substantially lessen competition in markets for goods and services in the State and, accordingly, that the acquisition may be put into effect.

For the Competition Authority

Dr. Paul K. Gorecki
Member of the Competition Authority