



DETERMINATION OF MERGER NOTIFICATION M/13/031 -

Permira / R Griggs

Section 21 of the Competition Act 2002

Proposed acquisition by Permira Holdings Limited / R Griggs Group Limited

Dated 29 November 2013

Introduction

1. On 6 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 Permira Holdings Limited ("Permira"), through IngreLux S.à r.l., would acquire sole control of R Griggs Group Limited ("Griggs").

Permira

2. Permira is a European private equity firm with global operations. Permira operates out of offices in Frankfurt, London, Milan and Paris. Its funds, raised from pension funds and other institutions, make long-term investments. Permira's teams advise funds with a total committed capital of approximately €[...].
3. Permira will acquire sole control of Griggs via a special purpose vehicle, IngreLux S.à.r.l, established for the purposes of the proposed transaction.¹ The acquisition will be made via a number of companies ultimately owned and controlled by IngreLux S.à r.l.²
4. Permira's global portfolio includes controlling interests in companies in various sectors including clothing and fashion, financial services, healthcare, chemicals, travel services and technology, media and telecommunications.
5. On the island of Ireland, Permira is active, through a number of its portfolio companies, in various sectors including clothing and fashion retailing, insurance services, frozen food retailing and medical device manufacturing.³ The only companies in Permira's portfolio that are active in the same sector as Griggs are New Look and Hugo Boss.
6. For the 2012 financial year, Permira had a worldwide turnover of €[...] billion and a turnover in the State of €[...] million.⁴

¹ IngreLux S.à r.l. is controlled by Permira V Fund which itself is controlled by Permira.

² Doc Bidco Limited will acquire the entire issued share capital of Griggs. Doc Bidco is wholly owned by Doc Midco Limited, which is wholly owned by Doc Debtco Limited, which is wholly owned by Doc Topco Limited, which in turn is wholly owned by IngreLux S.à.r.l.

³ These include: AA Ireland Limited, Ancestry Creganna-Tactx Medical, Freescale Semiconductor Inc, Hugo Boss, Iglo Group (through its Birds Eye Brand) and New Look.

⁴ Permira turnover is calculated as the sum of the turnover of Permira Fund portfolio companies. These companies have differing financial years and hence Permira's turnover figure is updated on an ongoing basis.

New Look

7. New Look is active in the high street segment of the apparel retail market for womenswear and also sells footwear, accessories, some menswear and related merchandises. New Look operates in 16 countries across Europe and the Middle East. New Look designs its own products but primarily outsources their manufacture to third parties. Products are sold through New Look's own stores, online, through franchise partners and via the 'Mim' brand in France and Belgium. New Look has 25 stores in the State and had a turnover in the State for the year ended 30 March 2013 of €[...] million.

Hugo Boss

8. Hugo Boss is active internationally in the design, production, wholesaling and retail distribution of clothing, accessories and footwear for men and women, principally under the BOSS and HUGO brands. It is active in the premium and luxury segment of the apparel retail sector. Products are sold through Hugo Boss's own stores and through other retailers (e.g. Brown Thomas and Louis Copeland & Sons) and online. Hugo Boss has three outlets in the State: the Dundrum Town Centre, a Boss Menswear Store in Dublin Airport and a Boss Outlet Store in Kildare Village, Kildare. There is also a Boss Shop and Boss Menswear Store in Belfast, Antrim. Hugo Boss had turnover in the State for the year ended 31 December 2012 of €[...] million.

Griggs

9. Griggs, a UK based private company, is engaged in the design, development, procurement, marketing, selling and distribution of footwear, clothing and accessories under the "Dr. Martens" brand. Griggs operates globally, servicing 65 countries, through either its own sales offices or third party distributors. The marketing, product and creative functions are based in Covent Garden, London and has operations in China, France, Hong Kong, Japan, Korea, Singapore and the US.
10. The US market is Griggs's largest market, accounting for 43% of its revenue while Asia accounts for 20% and the UK/rest of the world accounts for 37%. Griggs's primary focus is the sale of footwear, but the Dr. Martens brand was extended in 2011 into non-footwear items for men and women (including clothing and accessories such as shoe care products and luggage). Griggs retails its non-footwear range via Griggs's own stores and on e-commerce sites. Non-footwear sales in the Autumn/Winter 2011 collection were split equally between clothing and accessories. The parties submit that currently the non-footwear aspect of the product offering has sales of less than Sterling £[...]. Griggs submits that up to 31 March 2013 its sales in the State of accessories amounted [...] of bags, laces and polish.
11. Griggs retails its products via wholesale to retailers, to third party distributors (who distribute to retail) and direct to consumer channels. Griggs operates a multi-channel distribution model, currently including 18 owned and operated stores, e-commerce, concessions, franchises, wholesale and third party distribution. Griggs's distribution model varies by geographic region. In the US and UK, Griggs wholesales to retailers as well as selling via owned stores and e-commerce, while in Asia and mainland Europe it partly outsources its distribution to third

parties. Griggs sells to retailers either through wholesale channels or via third party distributors (excluding the State) and sells direct to consumers through owned retail stores or via internet sites.

12. Griggs does not operate any stores in Northern Ireland or in the State but its products are available in the State through retailers including, for example, Schuh, Office, Connolly Footwear and China Blue.
13. For the financial year ending 31 March 2013, Griggs had a worldwide turnover of approximately €[...] and a turnover in the State of approximately €[...].⁵

Rationale for the Proposed Acquisition

14. Permira stated in the notification that it considers that Griggs "*fits within its investment strategy and ultimately wishes to make a profitable realisation of its investment. The Proposed Transaction is in accordance with Permira's business model, namely, making private equity investments in companies active in a wide variety of sectors that have potential for growth and development.*"

Third Party Submissions

15. No third party submission was received.

Competitive Analysis

Horizontal Overlap

16. The parties submit that the industry sector concerned is the design, development, procurement, marketing, selling and distribution of footwear, clothing and accessories. There is horizontal overlap between the activities of the parties as each of Griggs (Dr. Martens) and Permira (through New Look and Hugo Boss) market and retail footwear, clothing and accessories via own stores, distributors, other retail outlets and online. New Look is primarily a retailer, with more than 1,100 stores around the world.⁶ In contrast, as indicated above Hugo Boss designs, produces, and wholesales and retails high end apparel, and Griggs designs, develops, markets and sells footwear and other "Dr. Martens"-branded products.
17. It may be possible to segment the market for the retail sale of footwear, clothing or accessories further by providing sub-segments in each constituent group or based on whether the products are luxury or non-luxury. However, it is not necessary to define the product market with precision in this case since the proposed acquisition will not substantially lessen competition in the State in any of the potential markets or market segments.
18. In terms of price, the products offered by each are not close substitutes as their price ranges generally target different customer types. Hugo Boss is a premium brand placed at the higher price or luxury segment, Griggs is next in terms of price while New Look is active in the high street segment and its products are generally priced at the lowest level among the three.

⁵ [Converted] using the ECB's average exchange rate of: €1 = Stg£0.81540.

⁶ See New Look annual report, available at <http://www.permira.com/site/report/23/23.pdf>

19. In terms of competitors each of Griggs, Hugo Boss and New Look do not view each other as their closest competitors and there would appear to be very little overlap between the competitors of each of the parties. Within the State for example, Griggs's primary competitors are CAT (Caterpillar), Camper, Clarks, Converse Rockport, Timberland, UGG and Vans, while Hugo Boss's closest competitors are Burberry, Armani, Ralph Lauren, Tommy Hilfiger and Ermenegildo Zegna. The main competitors of New Look are Marks and Spencer, Debenhams, Next (and Next Directory) and Primark (Penney's).
20. Objective market share data is not available. The parties estimate that in the overall market for the retail sales of footwear, clothing and accessories within the State, Griggs has a less than 1% market share and Hugo Boss has below 5%. New Look has below 1% market share.⁷ Post transaction, the merged entity would continue to face competition from a variety of other competitors supplying footwear including brands such as CAT, Camper, Clarks, Converse, Diesel, ECCO, Rockport, Timberland, UGG and Vans, selling via specialist retail outlets, online or in department stores.
21. The merged entity will also face competition from other retailers including from department stores (e.g. Arnotts, Brown Thomas, House of Fraser and Harvey Nichols); from high street retail outlets (e.g. Debenhams, Dunnes Stores, Marks and Spencer, Next, Oasis and Penneys); from speciality footwear retailers (e.g. Barratts, Clarks, ECCO, Fitzpatrick's Shoes and Korky's); and from online sales.

Vertical Overlap

22. Although New Look is primarily a retailer and Griggs sells its footwear directly or indirectly to retailers, given the nature of the businesses involved and Griggs's relatively modest size, the proposed transaction does not give rise to vertical concerns.

Conclusion

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

Ancillary Restraints

24. The Vendors have entered into non-solicitation and non-compete covenants to apply for a period of [...] post completion.⁸ 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.

⁷ Griggs's estimated market share is based on the CBI footwear report for Ireland for the period 2008 (available at <http://www.cbi.eu/marketintel/The-footwear-market-in-Ireland/162599>). The estimated market shares provided by New Look and Hugo Boss are based on the parties' internal estimates given that current market data is not readily available to the parties.

⁸ The ancillary restraints are set out at Clause 10.1 of the Share Purchase Agreement and apply to the [...] named individuals set out at [...] of the Share Purchase Agreement.

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 Permira Holdings Limited would acquire indirect sole control of R Griggs Group 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