



Public Competition Assessment

3 May 2023

Sika AG - proposed acquisition of MBCC Group

The ACCC's decision

1. On 20 April 2023, the ACCC announced its decision not to oppose the proposed acquisition by Sika AG (**Sika**) of LSF11 Skyscraper HoldCo S.à.r.l. (**MBCC Group**) (the **proposed acquisition**) after accepting a section 87B undertaking from Sika (the **Undertaking**).
2. The ACCC considers that the Undertaking sufficiently addresses its competition concerns such that the proposed acquisition is unlikely to contravene section 50 of the *Competition and Consumer Act 2010* (the **Act**). Section 50 prohibits acquisitions that would have the effect, or be likely to have the effect, of substantially lessening competition in any market.
3. The ACCC assessed the competitive effects of the proposed acquisition in the market for the supply of chemical admixtures. Chemical admixtures are a key ingredient in the production of concrete, used to chemically modify its properties to improve the quality and workability of concrete.
4. Sika and MBCC are the two largest suppliers of chemical admixtures in Australia. Market feedback indicated that they are each other's closest competitor and that other suppliers would not represent a sufficient level of competitive constraint on the merged entity to prevent it from profitably increasing prices or decreasing service quality. With less competition in Australia (and globally) post-acquisition, incentives to innovate and, for example, bring new product developments to Australia, would also be decreased.
5. Further, the ACCC considers that the threat of new entry or expansion would be unlikely to provide an effective constraint on the merged entity. The affected market has high barriers to entry and expansion including difficulties accessing raw materials, incumbency advantages for existing suppliers, and significant economies of scale and scope. The ACCC considers customers would be unlikely to effectively bypass the merged entity.
6. The ACCC has concerns that other suppliers would not have access to research and development on a sufficient scale to compete effectively with the merged

entity. The ACCC is particularly concerned that this would decrease incentives to innovate and, for example, bring new product developments to Australia.

7. However, the ACCC considers that a divestiture as contemplated by the Undertaking will address its competition concerns with the proposed acquisition. It will ensure there will be two key competitors for the supply of chemical admixtures in Australia.
8. In response to Sika proposing Cinven as the up-front purchaser of the MBCC Group businesses, the ACCC has approved Cinven as the purchaser at the same time as accepting the Undertaking.
9. This Public Competition Assessment outlines reasons for the decision by the ACCC not to oppose the proposed acquisition, taking into account the Undertaking. Please note that this and other public competition assessments are subject to the following qualifications:
 - The ACCC considers each transaction on a case-by-case basis and so the analysis and decision outlined in one assessment will not necessarily reflect the ACCC's view of another transaction.
 - As assessments are relatively brief and do not refer to confidential information, assessments do not necessarily set out all of the issues and information considered by the ACCC.

The parties

The acquirer: Sika AG

10. Sika is a Switzerland-based, global manufacturer and supplier of construction chemicals including chemical admixtures, systems and products for bonding, sealing, damping, reinforcing and protecting in the building sector and motor vehicle industry. Sika has subsidiaries in 101 countries around the world and manufactures in over 300 factories. Sika AG is the parent company of Sika Australia Pty Ltd, which owns Construction Technology Australia Pty Ltd.
11. Sika in Switzerland leads long-term research programmes for the whole of Sika globally.¹ Sika's research and development of new products (including chemical admixtures),² systems, technologies, applications, and production processes are carried out by 1,300 employees across 21 global Technology Centres.³ These facilities are located across 10 countries (including for example Switzerland, Germany, UK, USA and China); however, none are in Australia.

The target: MBCC Group

12. MBCC Group, formerly BASF Construction Chemicals, is a global manufacturer and supplier of construction chemicals including chemical admixtures, tile adhesives, flooring systems, waterproofing systems, and PU sealants. MBCC is headquartered in Germany and has operations in over 60 countries. In Australia,

¹Sika Group, [We are Sika](#) [information brochure], accessed 4 April 2023.

² For example, Sika developed "Sika ViscoFlow", a workability enhancing admixture, based on a new in-house-developed polymer which prolongs the workability time of the fresh concrete and still ensures equally fast strength development.

³ Sika Group, [Organization](#) [website], accessed 5 April 2023.

MBCC Group owns MB Solutions Australia Pty Ltd and Bluey Technologies and operates under the Master Builder Solutions brand.

13. MBCC has a comprehensive global research and development network with more than 200 experts focusing on construction chemicals, which includes chemical admixtures.⁴ MBCC has 8 development centres worldwide (located across Europe, the US and China) with its global research and development centre located in Trostberg, Germany. At this facility, MBCC engages in research and development of new technologies as well as new products and processes for construction chemicals.⁵ None of MBCC's development centres are in Australia.

The transaction

14. Sika is proposing to acquire, by way of share acquisition, MBCC globally. In Australia, MBCC Group manufactures and distributes products through its subsidiary MB Solutions Australia Pty Ltd (under the Master Builder Solutions brand) and Bluey Technologies. The proposed acquisition is subject to regulatory review in numerous overseas jurisdictions.

Market inquiries

15. The ACCC conducted market inquiries with a range of industry participants, including competitors, potential competitors, customers, input suppliers, industry bodies, other regulatory agencies and other interested parties.

Industry background

Chemical admixtures

16. Chemical admixtures are used in the preparation of cement, concrete and other products. They usually represent a small proportion of the mix (e.g., roughly between 1% and 5% of a total batch of ready-mix concrete).
17. Chemical admixtures chemically modify the properties of fresh and hardened concrete, cement or mortar and some examples include:
 - (super) plasticizers;
 - air entrainers;
 - water reducers;
 - retarders;
 - accelerators; and
 - specialty admixtures.

⁴ For example, MBCC has developed an innovative chemical admixture product called MasterEase, a superplasticizer for low-viscosity concrete, improves the rheological properties of high-performance concrete, significantly facilitating its pumping, placing and finishing. See [here](#).

⁵ MBCC Group, [Our R&D Centers](#) [website], accessed 5 April 2023.

18. The effects that these chemical admixtures can have include increased workability, acceleration, or retardation of the rate of hydration of cements and added resistance to freezing and thawing. It is common for a combination of chemical admixture solutions to be used in a batch of concrete or cement since the chemical admixture solutions serve different purposes.
19. Chemical admixtures are manufactured in-house using raw materials (polymers) that are imported into Australia. These products are imported in powder form and distributed to manufacturing and warehousing sites Australia wide, where they are tweaked to local conditions and/or customer specifications. The polymers are then added to water, mixed and distributed to customers, who include ready-mix concrete suppliers, mining companies as well as packaged for retail sale.
20. Chemical admixture customers often house dispensing equipment on their own premises, which is supplied by the chemical admixture supplier. The supplier warrants the use and performance of the equipment and the chemical admixtures. They also provide local service and support if there are any issues with the products or the equipment supplied. This is an important part of the contractual arrangement between the customer and the supplier.
21. Admixtures are the most impactful product, other than cement, in terms of either enhancing or diminishing concrete performance. If there has been a failure with the dispensing equipment or chemical admixture product, the issue must be fixed within a matter of hours. If on-the-ground technical expertise is not available, the concrete will set and necessitate the disposal of the entire batch of concrete, which can have financial implications and cause reputational damage to customers.
22. There is significant research and development in speciality chemical admixtures, including as a result of the current global focus on reducing the construction industry's carbon footprint. Sika and MBCC have both focused their R&D activities into a number of global centres. The imported chemical admixtures are then 'tweaked' to local conditions or the needs of specific customers in Australia.

Other industry participants

23. A limited number of international construction chemicals companies are currently supplying chemical admixture products in Australia:
 - **Saint-Gobain:** Saint-Gobain is global French company servicing the construction and industrial markets. Over the past two years, Saint-Gobain has completed acquisitions of Chryso and GCP Applied Technologies (**GCP**).⁶ The ACCC understands that GCP is the third largest supplier of chemical admixtures in Australia and has three plants around the country, located in NSW, Queensland and Victoria. Chryso has not previously supplied chemical admixtures in Australia.
 - **Mapei:** Mapei Australia is 100% owned by Mapei S.p.A, with its head office in Italy, having been established in Australia for over 28 years. Mapei is a global producer of adhesives and chemical products for the building industry, including chemical admixtures. In Australia, Mapei has

⁶ Chryso is a global company that designs, produces, markets and delivers chemical solutions for building materials including cement additives, concrete admixtures, decorative concrete solutions, screed solutions and construction systems.

a production facility in Brisbane that produces a range of construction chemicals, including chemical admixtures.

24. The ACCC did not identify any other significant market participants. Smaller providers of niche chemical admixture products active in Australia, include Parchem (under the Fosroc brand) and Building Chemical Supplies (BCS).⁷ The ACCC also identified Normet,⁸ a specialist supplier of construction chemicals, including chemical admixtures and other products, to the mining industry.
25. The main purchasers of chemical admixtures in Australia are manufacturers and suppliers of various types of concrete, including ready-mix concrete suppliers, pre-mix concrete suppliers, manufactured concrete products, shotcrete, and similar products.

Market definition

26. The ACCC's starting point for considering which markets will be affected by the proposed acquisition is to identify the areas of overlap between the products actually or potentially supplied by the merger parties. The ACCC then considers other actual or potential suppliers of those products, as well as what other products constitute sufficiently close substitutes to provide a significant source of constraint on the merged entity.
27. The ACCC has considered the likely effects of the proposed acquisition in a separate market for chemical admixtures, rather than a market for a broader group of construction chemical products. This market does not include mineral admixtures.⁹
28. The ACCC's market inquiries suggested that it may be appropriate to further segment the market into a smaller geographic frame of reference because:
 - chemical admixtures do not typically travel far after they have been mixed due to transport costs and the need for local supply; and
 - local support and quick response times from chemical admixture suppliers are important.
29. The ACCC considered the effects of the proposed merger on this market from a number of perspectives but considered that it was not necessary to precisely define the scope of this market.

Competition analysis

Substantial lessening of competition in the supply of chemical admixtures due to loss of a close competitor

30. The proposed acquisition would result in the combination of the two largest suppliers of chemical admixtures in Australia.

⁷ BCS distributes construction chemicals and specialist equipment in Australia, including concrete chemical admixtures developed and formulated by international company MC Bauchemie. MC Bauchemie currently has no presence in Australia.

⁸ Normet, [About Us](#) [website], accessed 5 April 2023.

⁹ Chemical and mineral admixtures have differing applications and are seen as complementary goods, rather than substitutes. Customers generally specifically require either chemical or mineral admixtures.

31. Market feedback has been consistent that Sika and MBCC offer almost identical services and are each other's main competitor. Both have established reputations in Australia, provide trusted service and support capabilities, and are considered reliable. These factors are all extremely important to customers.
32. Sika and MBCC are often the only active participants in competitive tender processes for the supply of chemical admixtures. This is particularly the case for larger customers that operate nationally and require the supply of chemical admixtures to sites nationwide; and for their supplier to be of sufficient scale to be able to guarantee ongoing supply of significant volumes of chemical admixtures in a timely and efficient manner.
33. The supply of chemical admixtures in Australia is concentrated: the ACCC understands that, post-acquisition, Sika would have a market share of approximately 80%.
34. The ACCC is concerned that the proposed acquisition would remove from the market the most significant competitive constraint on Sika. The limited number and scale of existing competitors such as GCP or Mapei means that these competitors are unlikely, in the short to medium term, to provide an effective competitive constraint on the merged entity. There are significant barriers to entry and expansion (see discussion at paragraph 44 below) that limit the ability of other competitors to 'ramp up' to service large customers in the same way that Sika and MBCC could.
35. The ACCC's market inquiries indicated that Sika and MBCC are the only two suppliers that can service large customers. The ACCC considered whether larger customers would be likely to have countervailing buyer power. However, for this to be likely, large customers would require access to alternative "outside" options they could turn to in the event the merged entity offered terms and conditions unfavourable to them. As noted above, the ACCC is concerned that no other supplier of chemical admixtures presently offers the level of constraint on the merged entity that each applies to the other; and that there are material barriers to entry and/or expansion in the relevant market(s).
36. Further, it is not apparent to the ACCC that larger customers could credibly threaten to self-supply or sponsor new entry due to the significant sunk costs necessary to establish relevant property, plants and equipment, as well as a lack of access to imports of raw materials and research and development expertise and facilities.
37. The ACCC also understands that large or small customers are unable to bypass suppliers by importing raw materials because they would, in effect, need to take on the role of a chemical admixture supplier to self-supply. This would require significant investment in property, plants and equipment, as well as access to technical expertise and self-supplied local on-the-ground support.

Switching

38. The ACCC understands there is limited switching between chemical admixture suppliers. Our investigation has indicated that, to the extent switching does occur, it is mostly between Sika and MBCC themselves, particularly for larger customers.
39. The ACCC's investigation found that reputation, service and support capabilities and reliability are extremely important to customers, and they are unlikely to switch to a new supplier that may be untested or unknown.
40. Market inquiries also indicated that it is expensive and time-consuming to switch suppliers because of:
 - significant testing requirements to replicate existing chemical admixture designs, including laboratory and on-site testing, which requires support and cooperation from customers, and
 - reputational, commercial and litigation risks in switching suppliers, because using new products increases the potential for errors in quality.
41. In addition, the ACCC's inquiries indicated that for large construction and infrastructure projects, for example those undertaken by state road and transport authorities, the tender documents will often specify which chemical admixtures are to be used. The parties' chemical admixtures are recognised brands/products in Australia and are commonly included in these specifications.
42. Once a project has commenced, the same chemical admixture products must be used. This effectively locks the use of those chemical admixtures in for the life of the project and is a disincentive to switching to a different supplier for other projects because to do so would involve multi-homing.
43. As a result, relationships between chemical admixture suppliers and customers are typically entrenched and long-term. There is, for example, a degree of integration from having dispensing equipment on site which contributes to customer stickiness.

Barriers to entry and expansion

44. The ACCC's investigation identified material barriers to new entry and expansion by existing competitors for the supply of chemical admixtures.
45. Market feedback suggests that there are economies of scale and scope in the production and distribution of chemical admixtures, as well as the provision of support services.

Access to raw materials and other resources

46. Access to raw materials (polymers) can be difficult due to the small number of quality suppliers. The ACCC's enquiries indicated that smaller chemical admixture suppliers (with their smaller volume requirements) may have greater difficulty importing polymers into Australia as some of the major chemical admixture companies may be prioritised when the supply of polymers is insufficient to meet demand. Market participants also raised concerns that, post-acquisition, Sika would have the ability to enter into exclusivity arrangements

with polymer suppliers, further reducing the ability of competitors to access raw materials.

47. The ACCC's enquiries indicated that there were limited opportunities for companies seeking to enter or expand into the supply of chemical admixtures to purchase existing plant, equipment, and facilities. Further, setting up new plants is likely to require incurring substantial sunk costs which can act as a significant barrier to entry/expansion.
48. As discussed in paragraph 41 above, project specifications limit the ability of concrete suppliers to choose or switch to an alternate chemical admixture supplier (especially one that is not an established brand). This creates another barrier to entry or expansion as new entrants or smaller players are often not specified on projects, hindering their ability to compete for non-project demand, given the lack of multi-homing.

On-the-ground technical support and services

49. Ongoing localised technical support and problem-solving expertise is crucial to customers, and they place a higher value on reliability and service and support capabilities than on price. Concrete suppliers heavily rely on chemical admixture suppliers to be able to supply their customers with concrete. It may take significant time for any new suppliers of chemical admixtures to build the experience and brand awareness to be considered a trustworthy supplier.
50. Customers require local support from their chemical admixture supplier in all their plant locations. As a result, large nation-wide customers require a chemical admixture supplier to have a similar geographic presence to them. The ACCC understands that Sika and MBCC are presently the only chemical admixture suppliers able to meet the supply, delivery and support requirements of these large customers. This presents an additional barrier to entry or expansion, as a player would need to have a presence in a number of locations across Australia in order to service larger customers.
51. Market participants highlighted the significant time – between 1 and 5 years – and sunk cost investment required for existing chemical admixture suppliers to scale up to the necessary capabilities to supply nationwide contracts and provide ongoing local support. If a new entrant were to compete for a major contract, they would be competing against incumbents that had already incurred those large sunk costs of entry and would have much lower additional costs to cover than the new entrant.

Multi-homing

52. There is limited appetite from customers to use more than one supplier at a site ("multi-home"). While some market participants use (or are considering using) more than one chemical admixture supplier, they do not use them at the same location or plant.
53. ACCC enquiries indicated that it is not practical or possible for customers to house multiple sets of equipment to accommodate different suppliers' products. This is due to chemical admixture suppliers warranting the performance of their own dispensing equipment, and any cross over could void that warranty.

54. In addition, having a single supplier means there is less complexity when preparing concrete mix designs. Customers also highlighted that their other concrete plants often act as back up in the same region, which would not be possible if different plants used different suppliers.

Imports

55. Customers do not consider they can bypass existing suppliers by importing their own raw materials or chemical admixture products. Market feedback indicates that importation and mixing chemical admixtures requires a high capital investment and customers lack the resources to manage the risks associated with regulatory requirements and quality assurance for these products.
56. Customers have limited storage capacity to house large volumes of chemical admixtures, instead valuing 'just-in-time' supply of products. The high value placed on local support would also be lost or require significant investment to employ and train staff to provide that support. Customers would not have the necessary scale to be able to engage in research and development and consequently suffer a competitive disadvantage.

Research and development

57. The importance of research and development to customers is another barrier to entry and expansion for smaller competitors. Sika and MBCC in Australia benefit from large-scale investment in global research and development facilities. MBCC has 8 global research and development facilities¹⁰ and Sika has 21 global technology centres as well as over 80 regional research and development facilities.¹¹
58. The ACCC's enquiries also indicate that large chemical admixture suppliers hold a number of patents for polymers, which are important components of chemical admixture products. The global development and innovation of products, particularly in the reduction of CO₂ emissions,¹² is essential for smaller suppliers to be able to compete effectively and provide customers with new and innovative products.
59. The ACCC understands that customers value being able to co-develop products with their chemical admixture supplier, sometimes using exclusivity to give them a competitive advantage. Smaller chemical admixture competitors often do not have the requisite scale to dedicate the time and investment to co-develop products with large customers.
60. These barriers to entry and expansion mean that timely entry/expansion on a scale sufficient to constrain a merged Sika/MBCC is unlikely. The ACCC considers that the concerns raised in relation to chemical admixtures will be remedied by the divestiture package after Sika gave the Undertaking pursuant to section 87B of the Act to divest the entire MBCC group of entities in Australia.

¹⁰ MBCC Group, [Our R&D Centers](#) [website], accessed 5 April 2023.

¹¹ Sika Group, [Research Strategy](#) [website], accessed 5 April 2023.

¹² Ibid.

Overlaps in the supply of other construction products

61. Sika and MBCC both supply a range of other construction products. Table 1 contains a summary of these products.

Table 1: Overview of other construction products Sika and MBCC both supply

Product area	Description
Ancillaries	Products that enhance appearance and production process of concrete, e.g., curing compounds and colours.
Bonding agents	Chemicals used to repair concrete or attach materials to the substrate.
Corrosion protection / control products	Protective layer that delays corrosion.
Fibres (concrete admixtures)	Materials added to concrete to increase durability and toughness. Can be made from various materials, including steel or synthetics (e.g., plastic). Market feedback indicated that Sika and MBCC will try to bundle admixtures with fibres.
Impregnations	Systems and coatings that seal concrete walls against water and protect against mould.
Industrial flooring	Flooring able to withstand high temperatures and impacts, etc. that occur in industrial applications.
Injection resins	Material injected into damaged or cracked structures to seal leaks, repair structures and make them watertight.
Mineral admixtures (silica fume)	Added to concrete to reduce permeability, increase strength and influence other properties.
Mortars for concrete repairs	Mortars for concrete repairs.
Premix mortars	Premixed mortars that bind construction materials together or fill gaps between them.
Primers	Products used to improve surface adhesion for additional layers/coatings.
Resin-based grouts	Materials used to repair cracks, fix tiles, and anchor rods, bolts or bars. Uses resins instead of cement.
Structural strengthening / reinforcing products	Materials applied externally to increase strength and capacity of a concrete structure. Can be made from various materials, including steel or synthetics (e.g., carbon fibre).
Sealants	Substances used to block fluids through joints or openings. Used to insulate, fill gaps, cover holes and cracks, and to ensure waterproofness.
Waterproofing	Products used to protect concrete against water. Includes, e.g., liquid and non-liquid membranes and liquid bitumen.

62. The ACCC considered the overlaps in these potential markets but did not need to reach a concluded view because the divestment proposal removed the relevant overlaps in Australia.

Undertaking

63. In order to address the ACCC's competition concerns in relation to chemical admixtures, Sika offered the Undertaking pursuant to section 87B of the Act. The

Undertaking is part of a global divestiture package. According to the Undertaking, Sika will divest:

- MBCC's Admixtures Systems business in Europe (including Switzerland), the UK, Canada, and the US, and
 - MBCC's EBA and Construction Systems business of MBCC Group in Australia and New Zealand (the ANZ Divestiture Business). This comprises all of MBCC Group's business in Australia and New Zealand, including Bluey Technologies.¹³
64. The Undertaking also sets out that Sika will comply with its commitments to the European Commission.¹⁴
65. The ACCC engaged with a range of market participants for feedback on the Undertaking.
66. The ACCC considers that a divestiture as contemplated by the Undertaking will address its competition concerns with the proposed acquisition. It will ensure that there remain two key competitors in the supply of chemical admixtures in Australia and those competitors have access to global research and development networks. A copy of the Undertaking is available on the ACCC mergers register and undertakings register.
67. Sika proposed Cinven as the up-front purchaser of the MBCC Group businesses. The ACCC has approved Cinven as the purchaser after giving consideration to a number of factors, including Cinven's previous experience in the industry and plans to continue the business in Australia as a going concern.

Conclusion

68. Based on the above analysis, the ACCC considers that the proposed acquisition of MBCC by Sika, taking into account the Undertaking, would not be likely to have the effect of substantially lessening competition in the market for the supply of chemical admixtures in Australia.

¹³ Bluey Technologies is a supplier of construction products for major civil engineering infrastructure works. Products include engineered, high-performance cements, waterproofing products and ground improvement solutions.

¹⁴ On 8 February 2023, the European Commission approved, under the EU Merger Regulation, the proposed acquisition. It concluded that the proposed acquisition, as modified by the commitments, would no longer raise competition concerns in its jurisdiction.