

CMA accepts remedy to address concerns in foam merger

US-based Carpenter agreed to buy Belgian firm Recticel's global engineered foams business in a €656 million (Euros) deal announced in 2021. The firms both supply engineered foam products used to make household goods such as mattresses, upholstery and kitchen sponges from plants located in the UK.

Following an initial Phase 1 investigation, the Competition and Markets Authority (CMA) identified competition concerns in 3 foam-related markets in the UK (the supply of comfort foam, unconverted technical foam, and converted comfort foam), and referred the deal for an in-depth Phase 2 investigation in July 2022.

At the outset of the Phase 2 investigation, Carpenter and Recticel conceded that the deal raised competition concerns and asked the CMA to "fast-track" the case to the assessment of a remedy that could address those concerns.

The CMA accepted the businesses' request and consulted, in September, on the merging business' proposal to sell the majority of the UK arm of Recticel's engineered foams business to address the competition concerns raised by the deal.

The CMA's final report confirms that the deal could reduce competition. This means that, without remedies to restore this loss of competition, the deal could have damaged the competitiveness of UK-based manufacturers that rely on foams to make their products, as well as leading to less choice and a poorer outcome for consumers.

The CMA has also concluded that, with minor modifications, the remedy proposed by the merging businesses will fully replace the loss of competition arising from the merger. This means that Carpenter will now be required to sell the majority of the UK arm of Recticel's engineered foams business to an independent third-party, approved in advance by the CMA, with the capabilities to ensure that the business remains as competitive as it is at present.

The CMA's decision today brings the case to a close well ahead of the 22 January 2023 statutory deadline, highlighting the potential efficiency benefits of "fast track" remedies processes.

Kip Meek, Independent CMA Panel Chair, said:

Having completed a thorough review of the evidence over 2 months ahead of the statutory deadline, we have confirmed our provisional conclusion that the merger could reduce competition in certain foam markets.

Requiring Carpenter to sell most of the UK arm of Recticel's

engineered foams business to an independent, CMA-approved buyer will protect UK manufacturers from higher costs – and ultimately means that their customers won't get a worse deal when buying beds, sofas or everyday items like kitchen sponges. On these terms, the transaction can go ahead.

For more information, visit the [Carpenter / Recticel merger inquiry page](#).

Notes to editors

1. Under the Enterprise Act 2002 the CMA has a duty to make a reference to Phase 2 if the CMA believes that it is or may be the case that a relevant merger situation has been created, or arrangements are in progress or contemplation which, if carried into effect, will result in the creation of a relevant merger situation; and the creation of that situation has resulted, or may be expected to result, in a substantial lessening of competition (SLC) within any market or markets in the United Kingdom for goods or services.
2. The process that applies where merging parties request to concede a substantial lessening of competition is set out in paragraphs 7.18 to 7.21 of [CMA2 revised](#).
3. In addition to conceding that the deal raises competition concerns, the firms agreed to waive their right to challenge this position during the CMA's Phase 2 investigation and also submitted a proposed remedy to address the concerns identified.
4. The CMA introduced a mechanism to 'concede' an SLC in the revised version of [CMA2 revised](#) introduced in January 2021. This was the first time that merging businesses have conceded an SLC in a Phase 2 merger inquiry. This has enabled the outcome of the investigation to be reached significantly more quickly than usual (ie over 2 months before the 24-week statutory deadline)
5. The CMA found that, if the deal went ahead, the combined companies would face limited competition in the UK in: Comfort foam (uncut foam for mattresses, upholstery etc.); Unconverted technical foam (for sponges etc.); Converted comfort foam (cut up foam ready for larger items like mattresses).
6. The CMA asked for views on the remedy offered by 12 October 2022 and on its provisional findings by 19 October 2022. The statutory deadline for the CMA's final report is 22 January 2023
7. The CMA concluded that the divestiture under the Parties' Remedy Proposal to a suitable upfront purchaser, who has sufficient R&D capabilities and chemical procurement experience, would be effective and proportionate in addressing the SLCs and the resulting adverse effects.
8. For media enquiries, contact the CMA press office on 020 3738 6460 or press@cma.gov.uk.