MEDIA RELEASE

20 April 2018

CCCS CLEARS PROPOSED MERGER BETWEEN ESSILOR AND LUXOTTICA

1. The Competition and Consumer Commission of Singapore ("CCCS") has issued a clearance decision on the proposed merger between Essilor International (Compagnie Generale d'Optique) S.A ("Essilor") and Luxottica Group, S.p.A. ("Luxottica") (collectively "Parties"). CCCS has concluded that the merger, if carried into effect, will not infringe the section 54 prohibition of the Competition Act (Cap. 50B).[1]

Background

2. In Singapore, Essilor is primarily engaged in the wholesale distribution of ophthalmic lenses. The brands of lenses in Essilor's portfolio include Crizal, Varilux and Transitions. Luxottica, on the other hand, is involved in the wholesale distribution of prescription frames and sunglasses (collectively "eyewear"). The brands of eyewear in Luxottica's portfolio include Ray-Ban, Oakley, Oliver Peoples, Burberry and Coach. Luxottica is also involved at the retail level through Sunglass Hut in the sale of mainly sunglasses.

3. CCCS received the notification for decision from the Parties on 13 September 2017. At the end of the Phase 1 review, CCCS was unable to conclude that the merger would not raise competition concerns. Therefore, CCCS proceeded with a Phase 2 review on 5 December 2017.

4. In the Phase 2 review, CCCS assessed whether the merged entity would engage in tying or bundling in order to leverage its market position in one market to foreclose competition in the other. CCCS also assessed whether the merger will eliminate competition between the Parties that would have taken place in Singapore if not for the merger.[2]

Assessment

5. At the end of the consultation process[3] and after evaluating all the evidence, CCCS assessed that, on balance, the evidence overall does not support a finding that the merger will lead to a substantial lessening of competition in Singapore.

6. In particular, the evidence does not support a finding at the pre-merger stage that the merged entity will have the ability to leverage on:

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[1] Section 54 of the Competition Act (Chapter 50B) prohibits mergers that have resulted, or may be expected to result, in a substantial lessening of competition within any market in Singapore.

[2] General information on merger procedures are set out in Annex 1.

[3] In reviewing the merger, CCCS conducted two rounds of public consultations, and contacted a total of 11 wholesale distributors and 114 retailers of optical products in Singapore.

a. Luxottica's position in the markets for wholesale distribution of eyewear so as to foreclose competition in the market for the wholesale distribution of ophthalmic lenses; or

b. Essilor's position in the market for wholesale distribution of ophthalmic lenses so as to foreclose competition in the markets for the wholesale distribution of eyewear.

7. In this regard, feedback from third-parties suggests that retailers are able to switch to other suppliers in response to any tying/bundling strategy by the merged entity, and suppliers have excess capacity to accommodate a surge in orders. The evidence overall also does not support a finding that the Parties' products are "must have" for retailers. With respect to eyewear, a large majority of retailers in Singapore do not carry Luxottica's products. With respect to ophthalmic lenses, end-consumers generally have low brand awareness and rely on opticians' recommendations.

8. CCCS also assessed that the evidence overall does not support a finding that, absent the merger, the Parties will enter and expand into each other's respective markets credibly and significantly, such that the merger will eliminate potential competition between the Parties that could have taken place if not for the merger. For example, market feedback indicates that the Parties' entry into each other's respective market(s) in Singapore is "*minor and insignificant*". In Singapore, Luxottica's lens offerings are restricted in scope, while Essilor's distribution of eyewear is minimal.

9. Further information on the application and CCCS's Grounds of Decision will be made available in due course on CCCS's Public Register at www.cccs.gov.sg.

About The Competition and Consumer Commission of Singapore

The Competition and Consumer Commission of Singapore ("CCCS") is a statutory board of the Ministry of Trade and Industry. CCCS administers and enforces the Competition Act (Cap. 50B) which empowers CCCS to investigate and adjudicate anti-competitive activities, issue directions to stop and/or prevent anti-competitive activities and impose financial penalties. CCCS is also the administering agency of the Consumer Protection (Fair Trading) Act (Cap. 52A) or CPFTA which protects consumers against unfair trade practices in Singapore. Our mission is to make markets work well to create opportunities and choices for business and consumers in Singapore.

For more information, please visit www.cccs.gov.sg

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Annex 1

Phase 1 and Phase 2 Merger Review

Set out below is a description of the Phase 1 and Phase 2 merger review conducted by CCCS. Further details can be found in the *CCCS Guidelines on Merger Procedures 2016*.

A Phase 1 review entails a quick review and allows merger situations which do not raise competition concerns under the section 54 prohibition to proceed. CCCS expects to complete a Phase 1 review within 30 business days. By the end of this period, CCCS will determine whether to issue a favourable decision and allow the merger situation to proceed. If CCCS is unable, at the end of the 30-day period, to conclude that the merger situation will not result in a substantial lessening of competition, CCCS will inform the merger parties and the merger parties may file Form M2. Upon receipt of Form M2, CCCS will proceed to a Phase 2 review.

A Phase 2 review entails a more detailed and extensive examination of the merger situation. While the principles of substantive assessment are the same, CCCS will require access to more extensive and detailed information regarding the merger parties and the markets in question.

As the Phase 2 review is more complex, CCCS will endeavour to complete a Phase 2 review within 120 business days.