



DETERMINATION OF MERGER NOTIFICATION M/06/007 – Disney/ Pixar

Section 21 of the Competition Act 2002

Proposed acquisition by Disney of Pixar

Dated 16/03/06

Introduction

1. On 20 February 2006 the Competition Authority (“the Authority”), in accordance with Section 18(1) of the Competition Act, 2002 (“the Act”) was notified, on a mandatory basis, of a proposal whereby The Walt Disney Company (“Disney”) will acquire sole control of Pixar (“the target”).
2. The Authority forwarded a copy of the notification to the Minister and notified the undertakings involved that it considers the acquisition to be a media merger, in accordance with Section 23(1) of the Act.

The Undertakings Involved

The acquirer

3. Disney, the acquirer, is a U.S. corporation based in California. Generally, Disney, together with its subsidiaries, can be described as a diversified world-wide entertainment company. Its activities can be broken down into four business segments:
 - a) Media Networks – comprising Disney’s U.S. broadcast television network, US television stations (such as the Disney Channel), cable, satellite networks and international broadcast operations, television production and distribution, US broadcast radio networks and stations and internet operations;
 - b) Parks and Resorts – comprising the ownership, design, development and/or operation of Disney resorts, cruise lines, ESPN Zone facilities in the US, Asia and Europe (Paris). This business segment also includes Walt Disney Imagineering which designs and develops new theme park concepts and attractions as well as resort properties;
 - c) Studio Entertainment – comprising the production and acquisition of live-action and animated motion pictures, animated direct-to-video programming, musical recordings and live stage plays. The studio entertainment business segment

also distributes self-produced and acquired films to theatrical, home entertainment, pay-per-view, video-on-demand, pay television and free-to-air television markets; and

- d) Consumer Products – comprising activities with licensees, manufacturers, publishers and retailers in relation to the design, promotion and sale of Disney's products and intellectual property world-wide. Disney also sells its products directly through its own retail outlets and through direct mail and online distribution.
4. Disney is also active in the exclusive distribution and marketing of Pixar's films pursuant to a co-production agreement.
 5. In the State, Disney broadcasts the Disney Channel through several broadcasting platforms such as ntl, Chorus, and BSkyB. It also has one subsidiary in Ireland which is active in the sale of Disney's consumer products.
 6. From its activities in the State, a turnover of US\$ [] (approximately €[]¹) was achieved by Disney in the fiscal year ended 1 October 2005. This may be broken down across the four business segments outlined in paragraph 4 above whereby Disney's (a) media networks achieved US\$[] (approximately €[]); (b) parks and resorts achieved US\$[] (approximately €[]); (c) studio entertainment achieved US\$[] (approximately €[]); and (d) consumer products achieved US\$[] (approximately €[]) in the State for that period.

The target

7. Pixar, the target, is a digital animation studio and is a publicly traded U.S. corporation based in California. It creates, develops and produces computer-generated animation films and related products. It is mainly active in the US but has limited activities outside the US. In the State, Pixar does not have any interests, assets or presence. Pixar's only customer world-wide is Disney.
8. Pixar has produced six full-length computer-generated animation films to date, all of which were produced under a co-production agreement between Disney and Pixar. All of Pixar's films are exclusively marketed and distributed by Disney pursuant to agreement between the undertakings involved.
9. The vast majority of Pixar's revenue is derived from its co-production agreement with Disney. Of Pixar's world-wide turnover of US\$273.5million (approximately €224.93million) in the fiscal year ended 1 January 2005, only US\$6.1million (approximately €[]) was achieved from its activities outside its co-production agreement with Disney concerning the licensing of Pixar's software.

¹ All conversions from US Dollars to Euro are based on a conversion rate of US\$1:€0.822433.

10. In the State, Pixar achieved an estimated US\$[] (approximately €[]) in revenue which the undertakings involved have submitted derives almost entirely from Pixar's activities under a co-production agreement with Disney.

The Transaction

11. Post-acquisition, Pixar will become a wholly-owned subsidiary of Disney. The undertakings involved have submitted that the transaction combines Pixar's creative and technological resources with Disney's portfolio resulting in significant potential for landmark creative output and technological innovation that can fuel growth across Disney's businesses.

Analysis

12. The undertakings involved do not compete with each other in the State.

13. While Disney is active in and derives revenue from its activities in media networks, parks and resorts, studio entertainment and consumer products in the State, Pixar is active only in the production of computer-generated animation films in the U.S. under a co-production agreement with Disney. Any revenue achieved by Pixar in the State occurs almost exclusively from its co-production agreement with Disney and to much lesser extent from the licensing of its animation software.

14. The proposed transaction does not give rise to competition concerns.

Determination

The Competition Authority, in accordance with Section 21(2) of the Competition Act, 2002, has determined that, in its opinion, the result of the proposed acquisition by The Walt Disney Corporation of Pixar 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 subject to the provisions of Section 23(9) of the Competition Act 2002.

For the Competition Authority

Dr. Paul K. Gorecki
Member of the Competition Authority

