



DETERMINATION OF MERGER NOTIFICATION M/06/066 – MOSAIC/ RUBICON

Section 21 of the Competition Act 2002

Proposed acquisition Mosaic Fashions Limited of Rubicon Retail Limited

Dated 10/10/06

Introduction

1. On 11 September 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 Mosaic Fashions Limited (“Mosaic”) would acquire the entire issued share capital of Rubicon Retail Limited (“Rubicon”).

The Undertakings Involved

2. Mosaic, the acquirer, is a wholly-owned subsidiary of Mosaic Fashions hf (“Mosaic hf”). Mosaic hf is a company listed on the Icelandic Stock Exchange and owns several womenswear retail brands including Karen Millen, Oasis, Whistles and Coast.
3. In the State, Mosaic hf operates more than fifty stores and concessions with its womenswear brands Oasis, Whistles, Coast and Karen Millen available to consumers in the State.
4. For the year ended 28 January 2006, the acquirer’s turnover in the State was approximately [€60million - €100million].
5. Rubicon, the target, is a United Kingdom-based company which owns the womenswear brands Principles and Warehouse. It also owns the Shoe Studio Group which incorporates several shoe brands.
6. In the State, the target operates 16 Warehouse stores and concessions, 23 Principles stores and concessions and 16 Shoe Studio Group stores and concessions. Most of the target’s operations in the State are carried out through concessions rather than through stand-alone outlets such as stores.
7. For the year ended 31 January 2006, the target’s turnover in the State was [€25million to €65million] of which approximately [€1million to €20million] derived from its activities through the Shoe Studio Group.
8. Currently, the target and the acquirer share a common shareholder: BG Holding (“BG Holding”).

9. BG Holding is a wholly-owned subsidiary of Baugur Group hf ("Baugur") which is an international investment company focusing on investments in the service, retail and real estate sectors in Iceland, the United Kingdom and Scandinavia.
10. Baugur, through BG Holding has a shareholding of (36.8%) in the acquirer¹ and an 8% shareholding in the target².
11. With its 8% shareholding in the target, currently, Baugur, through BG Holding, together with two other shareholders in the target (Katla Investments RL and Kaupthing Bank), acting together, can appoint two of the five board members of the target. In addition, BG Holding, together with Katla Investments RL and Kaupthing Bank has a right of veto over the target's business plan which right of veto should not be unreasonably withheld. BG Holding may also exercise an option to acquire an additional 32 percent (in addition to its current shareholding of 8%) in the target from options held by BG Holding over several shareholders' shares³.
12. Baugur has several other shareholding interests in companies engaged in womenswear retailing such as Jane Norman (39.76% - this is a controlling interest), PPQ (50%), Criminal Clothing (50%), Matthew Williamson (33%) and MKOne (60%). It also owns a 9.5% share of the issued share capital of House of Fraser plc.

Analysis

13. Both the acquirer and the target are active in the retail sale of womenswear in the State and, as such, the activities of the undertakings involved overlap horizontally in the State in this regard.
14. The undertakings involved have submitted, that the total market value of womenswear retailing in the State, based on figures for 2005 was approximately [€1billion to €5billion⁴] and is currently in excess of that figure.
15. Post-merger, the merged entity's share of this sector would be approximately [between 1%-10%].
16. Currently, and post-merger, the acquirer and the target compete against a large number of womenswear retailers in the State. The competitors of the undertakings involved include large retailers and multiple retailers such as Marks and Spencer, Debenhams, Dunnes Stores and Penneys, multi-branch/outlet retailers such as Arcadia (which operates the brands of Dorothy Perkins, Top Shop, Miss Selfridge, Evans and Wallis), Heatons, River Island, A-wear, Next, New Look, Zara, Mango, Kookai, Morgan and H&M, all of which are active in the State through stores and/or concessions.

¹ There are seven shareholders in the acquirer with more than a three percent shareholding (in descending order of size of shareholding): BG Holding (36.8%); Kaupthing (13.7%); Derek Lovelock (8%); Arion Safnerikningur (4.2%); FL Group hf (4.2%); Richard Glanville (4.1%) and Jane Woolf (3.5%) (Shareholding correct as at July 2006).

² Controlling interest in the target is held by an individual shareholder, Donald McCarthy (51.5%).

³ Immediately prior to the completion of the transaction, the target's shares are to be restructured.

with BG Holdings exercising all of its share options (as detailed in para 11 above).

⁴ Source: *Mintel Report on Womenswear Retailing*, Irish Series, May 2004 ("the Mintel Report"). This is a forecast figure provided by the Mintel Report.

17. The undertakings involved have also submitted that they compete against online and catalogue womenswear services.
18. Given the fact that there are a very large number of womenswear retailers in the State and the fact that post-merger, the share of the undertakings involved will increase in this market to between [1%-10%], the Authority has concluded that no competition concerns arise.
19. There is also some minor horizontal overlap in the activities of the undertakings involved in respect of the retail sale of shoes in the State: the target operates a footwear business through the Shoe Studio Group while the acquirer offers some footwear to supplement its branded offerings in the State. The Authority has concluded, however, that given the very small amount of shoe retailing carried on by the acquirer relative to the target's shoe retailing business and in addition to the large number of shoe retailers in the State and the marginal increase in share of the undertakings involved post-merger, no competition concerns arise in this respect.
20. The Authority has concluded that 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 Mosaic Fashions Limited of Rubicon Retail Limited 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.

For the Competition Authority

Dr. Paul K. Gorecki
Member of the Competition Authority