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PCC mergers unit issues statement of concerns on SMC-Holcim cement deal

The Mergers and Acquisitions Office (MAO) of the Philippine Competition Commission (PCC) has flagged competition concerns in a San Miguel Corporation (SMC) subsidiary's proposed takeover of cement giant Holcim Philippines Inc., citing monopoly, increased market power, and potential collusion arising from the merger.

In its review, MAO determined that the buyout by SMC subsidiary, First Stronghold Cement Industries, Inc., of Holcim Philippines will result in a substantial lessening of competition in the market for grey cement in four (4) key areas in the Philippines.

Specifically, the merger review reported the following antitrust concerns:[\[1\]](#)

- In **Northwest Luzon**, the merger eliminates Top Frontier's only competitor in the area, resulting in a monopoly in the market for grey cement.
- In **Greater Metro Manila, Central Luzon, and Northeast Luzon**, the transaction results in high combined market shares, allowing Top Frontier to control a majority of the supply in these areas.
- In **Greater Metro Manila, Central Luzon, and Northeast Luzon**, the transaction increases the likelihood of firms to engage in coordinated behavior.
- Post-transaction, imports in the relevant markets are insufficient to constrain the merged parties.
- Post-transaction, no new players are likely to or can timely counteract the parties' market power in **Northwest Luzon**.
- Post-transaction, any entrant has little to no ability to constrain the exercise of market power of the parties in **Greater Metro Manila, Central Luzon, and Northeast Luzon**. Acquirer First Stronghold struck the deal with Holcim Philippines last year amid the global cement giant's divestments in Southeast Asia, including the Philippines. It is poised to acquire 85.73% or 5,531,566,062 common shares of Holcim Philippines. Holcim Philippines manufactures, sells and distributes cement and related aggregates with eight (8) cement facilities in the Philippines and is a subsidiary of global cement giant LafargeHolcim Ltd. First Stronghold, a holding company created for this transaction, is wholly owned by San Miguel Equity Investments, Inc., which in turn is a subsidiary of SMC—all under Top Frontier Investment Holdings, Inc. (Top Frontier). Top Frontier has two (2) cement plants slated to begin commercial

operations within the next 2 years: Northern Cement and Oro Cemento Industries Corporation. In terms of control, the MAO review included Northern Cement Corporation (Northern Cement) and Eagle Cement Corporation (Eagle Cement) as part of the Top Frontier group in its market definition and competitive assessment. MAO alleged that Top Frontier exercises control and influence over Northern Cement's policies and operations despite its 35% minority stake shareholding in the latter. It also looked into interlocking officers and directors between Northern Cement and Eagle Cement, and between Eagle Cement and Top Frontier. In addition, the following factors were considered in assessing the existence of control and influence, among others:

- Top Frontier and Northern Cement were reported to have coordinated marketing strategies and exert influence on the board of directors of each other.
- Top Frontier has access to sensitive corporate information of Northern Cement.
- Sellers, distributors, and hardware owners in the relevant markets viewed Eagle Cement and Northern Cement as "sister companies" and part of the Top Frontier group.

Top Frontier and Holcim Philippines have proposed a set of voluntary commitments before the antitrust commission. Under the PCC's merger rules, voluntary commitments shall be evaluated by the Commission whether or not they sufficiently address the competition concerns identified by MAO.

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[1] These geographic markets do not reflect territorial and political subdivisions. Rather, these areas pertain to where the cement distribution of the merging parties overlap.

Link: [Executive Summary of the Statement of Concerns on the SMC-Holcim transaction](#)

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