The CNMC analyses in depth the purchase of Alquibalat, S.L. by Algeco Construcciones Modulares, S.L.U.

- This operation merges the two main companies in the modular structures rental market.

- Following this acquisition, competition between the two companies will disappear and Algeco's position in the market will be strengthened.

- During the next two months, the CNMC will carry out an investigation (phase II) to determine whether or not to authorise the operation.

- Any natural and legal persons potentially affected by this merger, as well as the Council of Consumers and Users, have 10 days to make their allegations.

Madrid. May 20, 2022.- The CNMC agreed to start the second phase of the analysis of the ALGECO/BALAT merger on 11 May 2022. This type of analysis is carried out when operations between companies imply significant risks for competition in the affected markets. (See brief note (C/1262/22)).

Through this operation, Algeco Construcciones Modulares, S.L.U. (Algeco) would acquire 100% of the capital of Alquibalat, S.L. (Balat) and obtain exclusive control of Balat and its subsidiaries.

This acquisition means the merger of the two main operators in the Spanish market for the rental of modular structures, both in terms of fleet size and geographical coverage.

Consequently, if the operation were approved as proposed, competition between said companies would disappear, which would lead to a considerable strengthening of Algeco's leadership position in this market. During the first phase of the investigation, the CNMC found that the geographic scope of the market for the rental of modular structures is smaller than the national market. Therefore, this operation could affect an autonomous community and its neighbouring areas, and it would consolidate Algeco's leadership position in multiple regions and increase its position in many others.

In this context, and since almost all of Algeco's and Balat's competitors have a greater geographical specialization and, therefore, lack the ability to compete

nationwide, there are reasonable doubts that other companies have sufficient capacity to compete with the new entity in several regions.

In addition, these risks are reinforced by the limited power of demand in this market, which is fragmented, especially in private contracts, and by the scarcity of alternatives when competing for the award of contracts of a certain size. Likewise, there are barriers to entry and barriers to expansion in the modular structures rental market, which make it difficult to reach a sufficient scale and dimension to access larger contracts.

Two product markets

Despite the fact that Algeco claims that the market for the manufacture, sale and rental of modular structures constitutes a single relevant product market, the CNMC confirmed in the first phase of the investigation that there are two clearly distinct markets. According to the type of activity in question, these are: i) the market for the sale of modular structures, and ii) the market for the rental of modular structures.

In addition, the market investigation shows that the modular structures rental market could be segmented, by module type, module quality and contract size.

In-depth analysis

Given all of the above, during the next two months, the CNMC will carry out an in-depth investigation to confirm the aforementioned market segmentation, in order to properly assess the effects of this operation.

In the next few days, a brief note will be published on the CNMC website to inform all natural or legal persons who may be affected by this merger, as well as the Council of Consumers and Users. Allegations may be submitted within a period of 10 days.

The final resolution approved by the CNMC may authorise, impose commitments or conditions, or prohibit the ALGECO/BALAT merger operation.

More information on mergers can be found in the CNMC Blog: At the CNMC we monitor mergers and acquisitions.