ANALYSIS OF AGREEMENT CONTAINING CONSENT ORDERS
TO AID PUBLIC COMMENT

In the Matter of American Securities Partners VII, L.P.; Prince International Corporation; and Ferro Corporation
File No. 211-0131

The Federal Trade Commission ("Commission") has accepted, subject to final approval, an Agreement Containing Consent Orders ("Consent Agreement") from American Securities Partners VII, L.P. ("American Securities"), Prince International Corporation ("Prince"), and Ferro Corporation ("Ferro") that is designed to remedy the anticompetitive effects resulting from Prince's acquisition of Ferro. Pursuant to an agreement dated May 11, 2021, American Securities proposes to acquire Ferro in a transaction valued at approximately $2.1 billion (the "Proposed Acquisition"). The Commission alleges in its Complaint that the Proposed Acquisition, if consummated, would violate Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45, by lessening competition in the following the markets: (1) porcelain enamel frit; (2) glass enamel; and (3) forehearth colorants. The Consent Agreement will remedy the alleged violations by preserving the competition that otherwise would be eliminated by the Proposed Acquisition.

Under the terms of the proposed Decision and Order ("Order"), Respondents are required to divest all of Prince's rights and assets related to the following three plants: (1) the porcelain enamel and forehearth colorants plant located in Leesburg, Alabama; (2) the porcelain enamel and forehearth colorants plant located in Bruges, Belgium; and (3) the glass enamel plant located in Cambiago, Italy. The Commission and Respondents have agreed to an Order to Maintain Assets that requires Respondents to operate and maintain each divestiture plant in the normal course of business until the products are ultimately divested. The Commission also issued the Order to Maintain Assets.

The Consent Agreement has been placed on the public record for thirty days for receipt of comments from interested persons. Comments received during this period will become part of the public record. After thirty days, the Commission will again evaluate the Consent Agreement, along with the comments received, to make a final decision as to whether it should withdraw from the Consent Agreement, modify it, or make final the proposed Order.

I. The Respondents

Respondent American Securities Partners VII, L.P. ("American Securities") is a private equity firm headquartered in New York, New York.

Respondent Prince International Corporation ("Prince") is a wholly owned subsidiary of American Securities. Prince manufactures a variety of chemicals, minerals, and industrial additives, including porcelain enamel frit, glass enamel, and forehearth colorant. Prince is headquartered in Houston, Texas.

Respondent Ferro Corporation ("Ferro") manufactures a variety of functional coatings and color solutions, including porcelain enamel frit, glass enamel, and forehearth colorant. Ferro is headquartered in Mayfield, Ohio.

II. The Products and Structure of the Markets

Porcelain enamel frit is a glass-based product used to create heat resistant, scratch and corrosion resistant coatings (porcelain enamel) for appliances, water heaters, cookware, and other applications. Porcelain enamel frit is necessary to make porcelain enamel coating. There are no good substitutes for porcelain enamel coating in the various applications in which it is used. Prince supplies its U.S. customers from a plant in Leesburg, Alabama while Ferro suppliers its U.S. customers from a plant in Villagran, Mexico. North America is the relevant geographic area in which to assess the competitive effects of the Proposed Acquisition in porcelain enamel frit. The North American market for porcelain enamel frit is highly concentrated. Respondents have a dominant combined share of sales of the overall North American market for porcelain enamel frit and an even higher share of the sales of the non-captive, merchant North American market for porcelain enamel frit. Almost all of the porcelain enamel frit production capacity in North America outside of that owned by Respondents is possessed by competitors who use it internally and consequently little if any is sold to merchant customers.

Glass enamel is a liquid paste or powder that is added to glass surfaces, such as appliance doors, architectural panels, and glass bottles, for aesthetic purposes, such as adding color or decoration; and to automotive windshields, for functional purposes, such as blocking UV light. There are no good substitutes for glass enamel in the various applications in which it is used. Prince supplies its U.S. customers from a plant in Cambiago, Italy while Ferro suppliers its U.S. customers from a plant in Villagran, Mexico. The world is the relevant geographic area in which to assess the competitive effects of the Proposed Acquisition in glass enamel. The world market for glass enamel is highly concentrated, with the two leading producers, Ferro and Fenzi Holdings SPV S.p.A ("Fenzi"), having a dominant combined market share. Prince is the third largest competitor.

Forehearth colorants are glass-based powders added to the forehearths of glass furnaces during the manufacture of glass bottles to impart a specific color to bottles. There is no good substitute for forehearth colorants. Prince supplies its U.S. forehearth colorants customers from a plant in Bruges, Belgium and further processes the product at Leesburg, Alabama, while Ferro supplies its U.S. customers from a plant in Villagran, Mexico and further processes the product at Orrville, Ohio. The world is the relevant geographic area in which to assess the competitive effects of the Proposed Acquisition in forehearth colorants. The world market for forehearth colorants is highly concentrated. Ferro and Prince are the two largest producers of forehearth colorants in the world, with a dominant combined market share.

III. Entry

Entry into the three markets at issue would not be timely, likely, or sufficient in magnitude, character, and scope to deter or counteract the anticompetitive effects of the

Proposed Acquisition. Constructing a new plant and acquiring approvals at customer accounts is costly and lengthy.

IV. Competitive Effects

The Proposed Acquisition will eliminate competition between Prince and Ferro and likely allow the merged firm to unilaterally increase the price in the North American market for porcelain enamel frit and in the world market for forehearth colorants. The Proposed Acquisition will eliminate Prince as an independent competitor in the world market for glass enamel. By removing Prince, the third large competitor in the world and the firm most likely to expand market share in the United States, the Proposed Acquisition decreases the likelihood of future price competition and increases the likelihood of coordination between the merged firm and its largest competitor, Fenzi.

V. The Proposed Order and the Order To Maintain Assets

The proposed Order and the Order to Maintain Assets effectively remedy the competitive concerns raised by the Proposed Acquisition for the three relevant products at issue. Pursuant to the proposed Order, the parties are required to divest Prince's rights and assets related to the three relevant products to KPS Capital Partners, L.P. ("KPS"). The parties must accomplish these divestitures no later than 10 days after Prince consummates the Proposed Acquisition. The proposed Order further allows the Commission to appoint a trustee in the event the parties fail to divest the products.

The Commission's goal in evaluating possible purchasers of divested assets is to maintain the competitive environment that existed prior to the Proposed Acquisition. KPS is a capable purchaser with management and employees who have experience acquiring and improving industrial assets resulting from corporate carve-outs, including those resulting from U.S. Department of Justice and Federal Trade Commission consent decrees. It will be able to replicate the competition otherwise lost from the Proposed Acquisition.

The proposed Order contains several provisions to help ensure that the divestitures are successful. The proposed Order requires Prince to provide transitional services to KPS to assist it in establishing its back-office capabilities.

Under the proposed Order, the Commission also will appoint a Monitor to ensure that Prince complies with its obligations under the proposed Order and Order to Maintain Assets. The Commission has appointed Smith & Williamson as the Monitor. Smith & Williamson is a leading UK accountancy firm with over 1800 UK employees and has 17 years of experience acting as a monitor trustee. Smith & Williamson has prior monitoring experience in divestitures ordered by both the Commission and the European Commission ("EC"). The EC also has approved Smith & Williamson as the Monitor in this matter.

In addition to requiring plant divestitures, the proposed Order requires Respondent American Securities to obtain prior approval from the Commission before acquiring assets for the manufacture and sale of products in any of the three relevant markets for ten years. The prior approval provision is necessary because an acquisition of assets for the manufacture and sale of products in any of the three relevant markets likely would raise the same competitive concerns as the Acquisition. The proposed Order further requires KPS to obtain prior approval from the Commission for a period of 3 years before transferring any of the divested assets to any buyer, and for a period of 7 additional years to any buyer with an interest in assets for the manufacture and sale of products in any of the three relevant markets.

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The purpose of this analysis is to facilitate public comment on the Consent Agreement and proposed Order to aid the Commission in determining whether it should make the proposed Order final. This analysis is not an official interpretation of the proposed Order and does not modify its terms in any way.