Aeronautics sector: the Autorité clears the takeover of Cobham Aerospace by Thales

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Background

Thales notified the *Autorité de la concurrence* of its plan to acquire sole control of Cobham Aerospace. Following a careful examination of the possible effects of the transaction, the *Autorité* has cleared the acquisition unconditionally.

The parties to the acquisition

The Thales group is active in the aeronautics, space, land transport, security and defence sectors. In the aeronautics sector in particular, Thales offers a wide range of products and services for both civilian and military needs. Thales is jointly controlled by the French State and the Dassault group.

Cobham Aerospace develops and sells in-flight communication and connectivity products for civilian and military aviation customers. Prior to the transaction, Cobham Aerospace was wholly owned by UK-based Cobham Limited, which is ultimately controlled by the Advent International Corporation investment fund.

The *Autorité* rules on the avionics market for the first time

The transaction mainly concerns the avionics markets, which has never before been subject to a decision by the *Autorité*. Avionics cover a wide range of electronic equipment found primarily in aircraft cockpits and designed to perform functions related to in-flight communication and navigation, as well as

aircraft control and command systems. The buyers of these products are mainly aircraft or helicopter manufacturers such as Airbus, Boeing, Dassault and Gulfstream, which can buy them either separately or assembled as an “avionics suite”.

Thales produces a broad portfolio of avionics products. The target company (Cobham Aerospace) mainly supplies equipment dedicated to aircraft communications, which it sells directly to aircraft and helicopter manufacturers or to designers of avionics suites, such as Thales. Its products include audio and radio management equipment, as well as satellite communications systems to ensure flight safety. It also offers a range of antennas for certain avionics products.

The *Autorité* was able to rule out any risk of harm to competition in the markets concerned

Although the transaction will enable Thales to strengthen its avionics portfolio, the *Autorité* considered that it was unlikely to harm competition.

The *Autorité* noted that the transaction did not harm competition through horizontal effects in the markets for avionics products sold by the two parties, given the moderate overlap of activities and relatively limited market shares of the parties. It also noted the presence of competitors in these markets and the existence of significant countervailing power on the part of customers.

The *Autorité* also considered that the transaction would not give rise to any vertical effects involving the foreclosure of access by the parties’ competitors to products sold by the target (input foreclosure) or refusal by Thales to purchase products sold by the target’s competitors (customer foreclosure). In this respect, it noted that the parties’ sometimes significant market shares concerned only a limited number of markets and that the presence of credible competitive alternatives and the existence of customer countervailing power made a negative impact on competition unlikely.

Lastly, the *Autorité* looked into possible conglomerate strategies [1] that the new entity could implement by strengthening its avionics portfolio. Given the new

entity's significant market shares in a limited number of markets, the existence of alternatives to the products on offer and the way avionics products are sourced, which gives customers considerable leverage, it considered that the new entity would not be in a position to implement such strategies. In any case, according to the *Autorité*'s analysis, these strategies would have limited effects in the markets, given the ability of the new entity's main competitors to replicate them.

At the end of its competitive analysis, the *Autorité* therefore unconditionally cleared the transaction.

[1] Conglomerate effects may arise when the new entity expands or strengthens its presence in markets that are different from those in which it is active, but which are sufficiently related to enable it to increase its market power.

DECISION 24-DCC-52 OF 25 MARCH 2024

relating to the acquisition of sole control of Cobham Aerospace SAS by the Thales group

See full text of the decsion (in French)

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