PHILIPPINE COMPETITION COMMISSION
Ensuring businesses compete and consumers benefit

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IN THE MATTER OF THE PROPOSED ACQUISITION BY METRO PACIFIC AGRO VENTURES INC. OF AXELUM RESOURCES CORP. AND THE PROPOSED JOINT VENTURE BETWEEN METRO PACIFIC AGRO VENTURES INC., AXELUM RESOURCES CORP., 1189 HOLDINGS INC., BEEMEX PHILIPPINES HOLDINGS INC., COCO DEUCE HOLDINGS INC., DOMUS ESTE HOLDINGS INC., GREENRIDGE EAST HOLDINGS INC., THEOL HOLDINGS INC., AND TUFNELL PARK HOLDINGS INC.

MAO Case No. M-2023-006

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COMMISSION DECISION NO. 08-M-006/2023

For review[1] of the Philippine Competition Commission (the Commission) is the proposed joint venture between Metro Pacific Agro Ventures Inc. (Agro Ventures) and seven (7) corporate shareholders of Axelum Resources Corp. (Axelum), namely: (i) 1189 Holdings Inc. (1189 Holdings), (ii) Beemex Philippines Holdings Inc. (Beemex), (iii) Coco Deuce Holdings Inc. (Coco Deuce), (iv) Domus Este Holdings Inc. (Domus Este), (v) Greenridge East Holdings Inc. (Greenridge East), (vi) Theol Holdings Inc. (Theol), and (vii) Tufnell Park Holdings Inc. (Tufnell Park) (collectively, the "Holding Companies"; and together with Agro Ventures, the "Parties") through Agro Ventures' proposed acquisition of shares in Axelum (the "Transaction").

Upon careful review of the existing market conditions, various submissions, representations of the Parties to the Commission, the application of the Philippine Competition Act (PCA) and its Implementing Rules and Regulations, related issuances, and the findings and recommendation of the Mergers and Acquisitions Office (MAO), the Commission finds that the Transaction will not likely result in substantial prevention, restriction, or lessening of competition in the relevant markets for the reasons discussed below.

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1 The Philippine Competition Commission conducts reviews of mergers and acquisitions, including joint ventures, pursuant to Sections 16 and 17 of Republic Act No. 10667, otherwise known as the Philippine Competition Act (PCA), and Section 1, Rule 4 of the Implementing Rules and Regulations of the PCA.

The Parties and the Transaction

Agro Ventures is a domestic holding company whose primary line of investment focuses on the agricultural sector. It is a wholly-owned subsidiary of Metro Pacific Investment Corporation (MPIC), an infrastructure investment holding company incorporated in the Philippines. Pilipinas Enterprise Management Holdings Inc. (PEMHI), a Philippine holding company, is identified as the Ultimate Parent Entity (UPE) of MPIC and Agro Ventures. In 2022, Agro Ventures acquired a controlling interest in the artisanal ice cream manufacturer, Laguna Creamery, Inc. and its subsidiaries[2] (collectively, the "Carmen's Best Group").[3] The subsidiaries of PEMHI that are also relevant to this Transaction are the manpower services providers SAVVICE Corporation (SAVVICE)[4] and Allied Professional Development Corp. (Allied).[5]

Axelum is a publicly listed company duly incorporated in the Philippines. It is engaged in the manufacture and exportation of premium food-grade coconut derivative products.[6] The Holding Companies are corporate shareholders of Axelum. They do not have any commercial operations and were organized solely to acquire stocks in Axelum.

On 6 February 2023, the Holding Companies and other individual shareholders of Axelum entered into a Sale and Purchase Agreement (SPA) with Agro Ventures for the sale of common shares of stock in Axelum. Concurrently, Agro Ventures and Axelum executed an Agreement to Subscribe (ATS) whereby Axelum agreed to issue voting redeemable preferred shares to Agro Ventures.

The SPA and the ATS will confer on Agro Ventures a total of 34.76% stake in Axelum post-Transaction – 31.33% common shares and 3.34% voting redeemable preferred shares. Thereafter, Agro Ventures and the Holding Companies will enter into an agreement which will confer joint control amongst themselves over Axelum. The agreement will also govern the conduct of business of Axelum and agreements on voting and other matters.[7]

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2 Laguna Creamery, Inc.'s subsidiaries include Carmen's Best Dairy Products, Inc., Carmen's Best International Dairy Company, Inc., Real Fresh Dairy Farms, Inc., and RMJ Development Corporation.

3 Carmen's Best Group owns and operates the artisanal ice cream brand, Carmen's Best Ice Cream, and the premium dairy brand milk, Holly's Milk.

4 SAVVICE (formerly Southbend Express Services, Inc.) is a domestic company wholly owned by Metro Pacific Tollways Digital, Inc. that is engaged in the business of providing various manpower services such as janitorial, messengerial, and other general and outside services.

5 Allied, which is wholly-owned by Davao Doctors Hospital, Inc., is a domestic company engaged in the provision of laundry services and related services.

6 Axelum uses all parts of the coconut in its production resulting to a full line of products, including coconut water, desiccated coconuts, coconut milk powder, coconut milk/cream, reduced fat coconut, sweetened coconut, coconut oil, and other coconut products.

7 Article II of the agreement provides for Agro Ventures' and the existing Axelum shareholders' right to nominate directors and recommend independent directors. As nominees of their respective

The Relevant Markets

In its review of mergers and acquisitions, the Commission examines the relevant markets[8] that may be potentially affected by the transaction to determine whether significant harm to competition is likely to occur in any of them.[9]

In this Transaction, no horizontal overlaps in the businesses of the Parties exist as they are engaged in the manufacture and distribution of different products. Agro Ventures manufactures and distributes dairy milk, while Axelum focuses on coconut milk products used as culinary ingredients.

No vertical relationships between and among the Parties exist as there are no products nor services currently being supplied by Axelum to Agro Ventures, and *vice versa.*

However, there are potential vertical relationships that may arise between the Parties in the following relevant markets:

1. The nationwide provision of coconut milk as an input to ice cream manufacturing.

   The coconut milk produced by Axelum may be used as an input for the ice cream production of Agro Ventures and its affiliate, Carmen's Best Group, should the latter decide to expand its product portfolio and offer plant-based ice cream products.

2. The nationwide provision of manpower services in building and facilities.

   Axelum may engage Agro Ventures, through SAVVICE and Allied, in the provision of manpower services in the course of its business.

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shareholders, the directors will steer and influence the strategic commercial decisions of Axelum. Article III of the agreement provides for Agro Ventures' and the existing Axelum shareholders' participation in the voting on commercial and strategic decisions, including adoption of a business plan and budget, among others.

8 Philippine Competition Act, Section 4(k). *Definition of Terms.* – Relevant market refers to the Relevant market refers to the market in which a particular good or service is sold and which is a combination of the relevant product market and the relevant geographic market, defined as follows:
(1) A relevant product market comprises all those goods and/or services which are regarded as interchangeable or substitutable by the consumer or the customer, by reason of the goods and/or services' characteristics, their prices, and their intended use; and
(2) The relevant geographic market comprises the area in which the entity concerned is involved in the supply and demand of goods and services, in which the conditions of competition are sufficiently homogenous and which can be distinguished from neighboring areas because the conditions of competition are different in those areas.

9 Section 2.5, PCC Merger Review Guidelines.

Competition Assessment

An assessment was made on whether the Transaction will have anti-competitive effects in the identified relevant markets through vertical effects in the different levels of the supply chain, such as input[10] and customer[11] foreclosure.

Nationwide market for the provision of coconut milk

In analyzing potential foreclosure, the Commission considered the possibility of the entry of Carmen's Best Group, an affiliate of Agro Ventures, in the vegan ice cream market where coconut milk is used as a base ingredient.

Post-Transaction, Axelum, as a producer of coconut milk, could potentially engage in total or partial input foreclosure. Total input foreclosure can occur if Axelum will supply all of the coconut milk it produces to the Carmen's Best Group. Partial input foreclosure can occur if Axelum will limit, supply, or sell at a higher price the coconut milk it produces to the competitors of the Carmen's Best Group.

However, Axelum will not have the ability nor the incentive to engage in such input foreclosure due to its low market share.[12] Further, the potential competitors of Carmen's Best Group in coconut-based vegan ice cream production can easily source their coconut milk requirements from various Axelum competitors which also produce coconut milk at an industrial scale.

Nationwide provision of manpower services in buildings and facilities

In analyzing potential foreclosure, the Commission also considered the possibility if Agro Ventures providing Axelum with manpower services, through SAVVICE and Allied.

Post-Transaction, Agro Ventures, through SAVVICE and Allied, could potentially engage in input and customer foreclosure. There could be input foreclosure should Agro Ventures increase the prices for manpower services to rivals of Axelum, through

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[10] Input foreclosure occurs when the merged firm has the ability and the incentive to exclusively supply its own downstream entities resulting in total foreclosure. The foreclosure may also be partial by raising its input prices only for the rivals of the entity's downstream manufacturers.

[11] Customer foreclosure occurs when the merged firm has the ability and incentive to foreclose upstream competitors by restricting access to a significant customer base.

[12] As there is lack of information on the total production of coconut milk at the national level, the processing capacity of the top coconut processors were used as a proxy to illustrate the market share of the market players in the national market for the provision of coconut milk.

SAVVICE and Allied. There could also be customer foreclosure if Axelum would stop availing services from its existing service providers and rely exclusively on SAVVICE and Allied.

However, Agro Ventures will neither have the ability nor incentive to foreclose input of manpower services in buildings and facilities given SAVVICE and Allied's minimal market shares of less than [redacted].[13] If Agro Venture attempts to engage in input foreclosure, downstream competitors of Axelum can easily outsource their services to the more aggressive manpower services providers in the nationwide market.[14] Customer foreclosure is also highly unlikely because of the remaining large pool of customers in need of manpower services in the building and facilities segment. To note, SAVVICE and Allied only have [redacted] share of the demand[15] in the nationwide manpower service for building facilities. Even if Axelum only contracts with SAVVICE and Allied, there remain other large and high-valued customers in the nationwide market (e.g., in the BPO, construction, and healthcare sectors),[16] negating any potential customer foreclosure issues.

After the careful review of the existing market conditions, various submissions and representations of the Parties, the application of the PCA, its Implementing Rules and Regulations, and related issuances, the Commission finds that the Transaction is not likely to result in substantial prevention, restriction, or lessening of competition.

ACCORDINGLY, the Commission resolves to **CLEAR** the proposed joint venture among Metro Pacific Agro Ventures Inc., 1189 Holdings Inc., Beemex Philippines Holdings Inc., Coco Deuce Holdings, Inc., Domus Este Holdings Inc., Greenridge East Holdings Inc., Theol Holdings Inc., and Tufnell Park Holdings Inc. through Agro Ventures' proposed acquisition of shares in Axelum Resources Corp.

This Decision was rendered solely based on the facts disclosed, circumstances of the proposed Transaction known to the Commission during the review period, and documents submitted by the Parties.

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13 In computing this market share, disaggregated revenues of the relevant manpower activities identified in PSA's latest census on administrative and support service activities in the Philippines were used as a metric for computation. SAVVICE and Allied manpower services are distinguished from other types of manpower services provided by other independent contractors registered with DOLE, considering the differences in the required specialization, regulatory requirements, and investment priorities.

14 Research & Markets (2022). *"Philippines Facility Management Market – Growth, Trends, COVID-19 Impact, and Forecasts (2022 – 2027)"*, available at: https://www.researchandmarkets.com/reports/5601259/philippines-facility-management-market-growth (last accessed April 2023).

15 Review Team's calculation is based on Axelum's submitted expenditures in the manpower services for business and recreation facilities availed from Jobnet Multipurpose Cooperative [redacted] in 2020.

16 *Supra* note 14, *PSA ASPBI 2020 Preliminary Results.*

SO ORDERED.

11 May 2023.

[redacted]

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Chairperson

[redacted]

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