



FEDERAL TRADE COMMISSION
 PROTECTING AMERICA'S CONSUMERS

FTC Requires Sherwin-Williams to Divest Assets as a Condition of Acquiring Valspar

Sherwin Williams will sell Valspar's industrial wood coatings business to Axalta Coating Systems Ltd.

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FOR RELEASE

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The Sherwin-Williams Company has agreed to [settle Federal Trade Commission charges that its proposed \\$11.3 billion acquisition of Valspar Corporation is likely anticompetitive](#) by selling Valspar's North America Industrial Wood Coatings Business to Axalta Coating Systems Ltd. The transaction would combine Sherwin-Williams and Valspar, two of the top three industrial wood coatings manufacturers.

According to the [complaint, the acquisition as originally proposed likely would reduce competition](#) in the North American market for industrial wood coatings used to make furniture, kitchen cabinets, and building products. The complaint alleges that the combined firm would be likely to exercise unilateral market power, and that the combined firm and the other remaining competitors would compete less aggressively against each other.

Industrial wood coatings, which include stains, topcoats, and sealants, provide higher resistance to abrasion and water than consumer wood coatings, and are often sold to wood-products manufacturers along with on-site technical assistance. Because consumers and builders value the appearance of finished wood, there is no economically viable substitute for industrial wood coatings, according to the complaint. Barriers to entry for new suppliers of industrial wood coatings are high, because of both the large capital costs needed to build a high-volume industrial wood coatings plant, and the reluctance of customers to switch to unproven new suppliers.

Under the terms of the consent agreement, Sherwin-Williams will divest to Axalta two Valspar industrial wood coatings plants, one in High Point, North Carolina, and the other in Cornwall, Ontario. Axalta will also receive the research and development facilities, warehouses and testing facilities of Valspar's Industrial Wood Coatings Business, as well as customer contracts, intellectual property, inventory, accounts receivable, government licenses and permits, and business records. The consent agreement limits Sherwin-Williams's use of, and access to, confidential business information pertaining to the divestiture assets.

As one of the leading suppliers of coatings to large automotive and industrial original equipment manufacturers, Axalta is well positioned to operate these assets as an effective competitor that will maintain competition in the markets that would otherwise be affected by the merger.

Further details about the consent agreement – which appoints a monitor to oversee the implementation of the relief and allows the Commission to appoint a divestiture trustee as may be required – are set forth in the [analysis to aid public comment](#) for this matter.

Commission staff cooperated with the Canadian Competition Bureau, working closely with its staff to analyze the proposed transaction and reaching outcomes that benefit consumers in both countries.

The Commission vote to issue the complaint and accept the proposed consent order for public comment was 2-0. The FTC will publish the consent agreement package in the Federal Register shortly. The agreement will be subject to public comment for 30 days, beginning today and continuing through June 27, 2017, after which the Commission will decide whether to make the proposed consent order final. [Comments can be filed electronically](#) or in paper form by following the instructions in the "Supplementary Information" section of the Federal Register notice.

NOTE: The Commission issues an administrative complaint when it has "reason to believe" that the law has been or is being violated, and it appears to the Commission that a proceeding is in the public interest. When the Commission issues a consent order on a final basis, it carries the force of law with respect to future actions. Each violation of such an order may result in a civil penalty of up to \$40,654.

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PRESS RELEASE REFERENCE:

[FTC Approves Final Order with Sherwin-Williams and Valspar, Preserving Competition in the North American Market for Industrial Wood Coatings](#)

Contact Information

MEDIA CONTACT:

Betsy Lordan

Office of Public Affairs
202-326-3707

STAFF CONTACT:

James Abell
Bureau of Competition
202-326-2289



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