

Completed acquisition by Rentokil Initial Plc of MPCL Ltd (formerly Mitie Pest Control Ltd)

Decision on acceptance of undertakings in lieu of reference

ME/6784-18

Introduction

1. As a result of documents executed on 29 and 30 September 2018, Rentokil Initial plc (**Rentokil**) acquired the pest control business of Mitie Pest Control Ltd (since renamed MPCL Ltd (**MPCL**)) (the **Merger**). Rentokil acquired the pest control business of MPCL from Mitie Limited, part of the Mitie Group (**Mitie**).
2. On 12 April 2019, the Competition and Markets Authority (**CMA**) decided under section 22(1) of the Enterprise Act 2002 (the **Act**) that it is or may be the case that the Merger constitutes a relevant merger situation¹ that has resulted or may be expected to result in a substantial lessening of competition (**SLC**) within a market or markets in the United Kingdom (the **SLC Decision**).
3. On 23 April 2019, Rentokil offered undertakings in lieu of reference to the CMA for the purposes of section 73(2) of the Act.
4. On 30 April 2019, the CMA gave notice to Rentokil, pursuant to section 73A(2)(b) of the Act, that it considered that there were reasonable grounds for believing that the undertakings offered, or a modified version of them, might be accepted by the CMA under section 73(2) of the Act and that it was considering Rentokil's offer (the **UIL Provisional Acceptance Decision**).
5. On 26 June 2019, the CMA extended the time available to reach a decision on whether to accept the undertakings offered by Rentokil under section 73A(4) of the Act, resulting in a statutory deadline to reach this decision of 22

¹ Pursuant to section 25(4) of the Act, the four-month period mentioned in section 24 of the Act is extended while the CMA is seeking undertakings in lieu of reference.

August 2019 (the **Notice of Extension**). An extension was necessary because the UILs included an upfront buyer condition.

6. On 11 July 2019, the CMA issued a notice of consultation on the proposed undertakings (the **Notice of Consultation**), set out in Annex 1 below. The Notice of Consultation stated that the CMA would have regard to any representations received, and Rentokil may need to make modifications to the undertakings as a result of those representations.
7. The text of the SLC Decision, the UILs Provisional Acceptance Decision, the Notice of Consultation and the Notice of Extension are available on the CMA webpages.²

The undertakings offered

8. The SLC Decision found that Rentokil acquired the pest control business of MPCL by way of a preferred supply agreement on 29 September 2018 (**PSA**)³ and a sale and purchase agreement of 30 September 2018 (**SPA**)⁴ (together the **Merger**) and that the Merger is a relevant merger situation.
9. As set out in the SLC Decision, the CMA found a realistic prospect of the Merger resulting in an SLC as a result of horizontal unilateral effects in the supply of pest control services to national customers in the UK.
10. As set out in the UIL Provisional Acceptance Decision, to address the SLC identified by the CMA Rentokil has offered to divest a number of contracts to provide pest control services to customers of MPCL located in eight or more regions of the UK, i.e. national customers acquired by Rentokil, excluding the PSA entered into by Rentokil and Mitie (the **Divestment Contracts**).⁵ Rentokil has offered to divest such assets including vans, employees, such as technicians and the national accounts team, and provide such transitional services as a purchaser reasonably deems necessary to be an effective national competitor (the **Divestment Business**). Rentokil has also offered to amend the key terms of the PSA by: (i) limiting its duration to [X]; and (ii) making the PSA non-exclusive, enabling Mitie to select additional and different suppliers for each end-customer without restrictions (the **Amended**

² See [Rentokil / MPCL case page](#).

³ The PSA was concluded between Rentokil Initial UK Limited (part of the Rentokil Initial Group) and Mitie Limited (part of Mitie)

⁴ The SPA was concluded between Rentokil Initial 1927 PLC (part of the Rentokil Initial Group) and Mitie Limited (part of Mitie).

⁵ With an annual contract value of approximately [X]. This figure has increased since the date of Rentokil's offer to approximately [X].

PSA) (together the **UILs**). Further detail is available in the text of the consultation on the CMA webpages.⁶

11. Rentokil has also offered to enter into an agreement for the sale and purchase of the Divestment Business with an upfront buyer, before the CMA finally accepts the Proposed Undertakings (the **Upfront Buyer Condition**). Rentokil has proposed ServiceMaster Global Holdings, Inc. (**ServiceMaster**) as the upfront buyer.

Consultation

12. On 11 July 2019, pursuant to paragraph 2(1) of Schedule 10 to the Act, the CMA published the UILs, inviting interested parties to give their views on the UILs. The relevant text from the Notice of Consultation is set out at Annex 1 of this decision.⁷ For the reasons set out in the consultation, the CMA's preliminary view was that the UILs would resolve the SLC identified in the SLC Decision in a clear-cut manner, ie without giving rise to material doubts about the overall effectiveness of the UILs or concerns about their implementation.⁸
13. In response to the consultation the CMA received responses from five respondents, one of which is a customer of MPCL (but not a customer under a Divestment Contract). The following paragraphs provide a summary of the responses received in relation to the UILs and describe how the CMA has taken these responses into account in its overall assessment of the UILs.
14. The MPCL customer stated that being serviced by a local MPCL employee was the main reason for the customer using MPCL and that, if this situation were to change, the customer would likely switch to an alternative supplier. No other customers expressed concerns in relation to the UILs and no respondents to the consultation expressed concerns regarding the identity of ServiceMaster as an upfront buyer.
15. Three respondents expressed concerns regarding the viability of the Divestment Business (and therefore, in turn, the effectiveness of the UILs) which related to:
 - (a) the low route density of the Divestment Business and its negative implications for: employee retention; economic sustainability of the Divestment Business without local or regional jobs (in light of the

⁶ See [Rentokil / MPCL case page](#).

⁷ The full consultation text was published on [Rentokil / MPCL case page](#).

⁸ *Merger remedies, (CMA87)*, December 2018, Chapter 3, in particular paragraphs 3.27, 3.28 and 3.30.

competitive pricing of the Divestment Contracts); and potential customer switching in the event of a reduction in service quality or delays in service provision;

(b) the possibility that ServiceMaster may not retain all of the Divestment Contracts transferred under the UILs; and

(c) the 'high-risk' nature of the Divestment Business on a standalone basis and concerns regarding future profitability.

16. Two respondents stated the importance of ensuring that sufficient employees (including technicians, specialist technicians, escalation managers, service managers and directors) were retained in the Divestment Business, noting concerns relating to service quality under the Divestment Contracts if this was not the case. The respondents provided estimates of the numbers of employees they considered should be retained by the Divestment Business.
17. One respondent raised concerns about the contractual terms on which ServiceMaster would acquire the Divestment Business, noting that if they included restrictive covenants preventing ServiceMaster from soliciting customers from the non-Divestment Business of MPCL (ie local and regional customers transferred to Rentokil) this could affect ServiceMaster's potential growth opportunities, which may in turn impact employee retention. One respondent stated that local and regional customers which had recently decided to move from Rentokil to MPCL would, due to acceptance of the UILs, now be serviced by Rentokil, or incur large penalties if they wished to continue to be serviced by MPCL.
18. The CMA has carefully considered the above submissions. The CMA notes that the UILs already address many of the concerns raised in these submissions and considers that the remainder are addressed in the contractual documentation for sale of the Divestment Business.
19. The CMA considers that the concern around the need for locally-based service technicians is addressed by the requirement under the UILs for all MPCL employees primarily engaged with the Divestment Business (and other personnel as agreed with ServiceMaster deemed reasonably necessary for the continued viability and competitiveness of the Divestment Business, or an adequate substitute) to transfer to ServiceMaster. This is discussed in further detail at paragraphs 22 – 24 below. This will ensure that the large majority of current MPCL employees will transfer with the Divestment Business. Moreover, no customers of the Divestment Business under the UILs, ie national customers of MPCL, raised concerns about the UILs.

20. In relation to the concerns around the viability of the Divestment Business and route density at paragraph 15 above, ServiceMaster has provided the CMA with a business plan for the Divestment Business, which takes into account the current financial performance of the Divestment Contracts and sets out ServiceMaster's strategy and objectives for the development and growth of its pest control activities in the UK. In its business plan, ServiceMaster has pledged significant financial resources for the Divestment Business, [X], and intends to achieve its growth plans for the Divestment Business through various means, including securing local and regional contracts and increasing route density. ServiceMaster submitted that it intends to achieve this by using the expertise of the MPCL sales staff who will be transferred to it, as well as through other means such as marketing, [X]. ServiceMaster also told the CMA that it will use its business expertise to meet and enhance service levels. ServiceMaster has also retained the services of [X] and expects that this team, in conjunction with current MPCL interim management will play a significant role in retaining business and employees.
21. On the basis of information submitted to it by ServiceMaster, the CMA believes that ServiceMaster has the ability and incentive, as well as a strong commitment, to effectively pursue this strategy. The contractual documentation for the sale of the Divestment Business also addresses the concern regarding retention of Divestment Contracts by MPCL. Rentokil has agreed to provide reasonable assistance to MPCL to ensure that customers do not exercise change of control rights under the Divestment Contracts after completion. Furthermore, if customers do exercise change of control rights under the Divestment Contracts within [X] of completion, Rentokil has agreed to use reasonable endeavours to replace that contract with a Rentokil contract of approximate equivalent annual revenue and duration (subject to certain conditions).
22. The CMA notes that the concerns regarding a potential drop in service levels in paragraph 16 above relate to the number and types of employees in the Divestment Business. The Divestment Business transferred to ServiceMaster, as defined in the UILs, comprises:
- (a) all MPCL employees and other personnel primarily engaged in providing or supporting the Divestment Business (subject to employment law restrictions); and

- (b) any personnel not listed above but who are both used (exclusively or not) in the Divestment Business and, as agreed with ServiceMaster, reasonably necessary for the continued viability and competitiveness of the Divestment Business, or an adequate substitute.
23. Accordingly, Rentokil is contractually obliged to transfer to ServiceMaster all MPCL employees that ServiceMaster considers, based on its experience in the operation of route-based pest control businesses elsewhere, to be necessary for the continued viability and competitiveness of the Divestment Business. ServiceMaster also has extensive experience as regards acquiring other pest control businesses (see further paragraph 18(b) of the annexed Notice of Consultation).
24. The CMA notes that the Divestment Business transferred to ServiceMaster includes the large majority of existing MPCL employees, including inter alia central national account management capability, technicians, specialist technicians, escalation managers, service managers and those with other central functions that are broadly in line with the numbers indicated by the submission in paragraph 16 above.
25. As regards the concern regarding the presence of restrictive covenants in the contractual documentation for sale of the Divestment Business (at paragraph 17 above), the CMA notes that ServiceMaster is not subject to any non-compete or non-solicit obligations with regard to the non-Divestment Business of MPCL (ie local and regional MPCL customers) which will transfer to Rentokil. ServiceMaster is also free to solicit regional and local customers of Rentokil that were not previously customers of MPCL. As such, there are no limitations on the growth potential of MPCL under ServiceMaster's ownership. Finally, the concern relating to local and regional customers which recently moved from Rentokil to MPCL has also been addressed in the contractual documentation. If a customer transferred to Rentokil wishes to retain MPCL as its pest control provider, Rentokil has agreed to consent to such a request without imposing a penalty for early termination (subject to certain conditions).
26. Accordingly, these third-party submissions did not cause the CMA to change its preliminary view that the UILs would be acceptable. Furthermore, the CMA believes that the Divestment Business is a viable business that is capable of being transferred to an upfront purchaser, comprising revenue-generating customer contracts, key staff with expert knowledge of the UK pest control market and such assets, other employees and transitional services as a purchaser deems reasonably necessary to be an effective national competitor. While the CMA is aware that currently the Divestment Contracts may not be profitable as a standalone business, for the above reasons as well

as those set out in paragraphs 18 and 19 of the annexed Notice of Consultation, the CMA believes that ServiceMaster has the ability and incentive, as well as a strong commitment, to maintain and grow the Divestment Business as part of a viable and active business in competition with Rentokil and other competitors in the relevant market. The CMA expects that ServiceMaster will be an effective competitor.

27. Subsequent to the consultation period, Rentokil submitted changes to the UILs. The changes reflect the obligations entered into by Rentokil under the restrictive covenants in the contractual documentation for sale of the Divestment Business, which are more onerous on Rentokil than those contemplated in the UILs published for consultation. To the extent that these changes could be seen as material, the CMA nevertheless considers that it has special reasons, in accordance with paragraph 9 of Schedule 10 of the Act, to dispense with the requirement to conduct a further consultation under paragraph 2(4) of Schedule 10 of the Act.⁹
28. The CMA considers that the special reasons which apply in this case are that the changes strengthen the competitiveness of the Divestment Business and therefore provide greater assurance that the divestiture will be an effective remedy to the SLC identified as resulting from the Merger. The CMA considers that accepting the revised UILs represents a better alternative than a reference to phase 2 in the specific circumstances of this case, where further consultation was not possible due to the expiry of the statutory deadline under the Notice of Extension.
29. The CMA therefore considers that the UILs offered by Rentokil are clear-cut and appropriate to remedy, mitigate or prevent the competition concerns identified in the SLC Decision and that ServiceMaster is a suitable purchaser of the Divestment Business.
30. On 19 August 2019, the CMA notified Rentokil that it approved of ServiceMaster as the upfront buyer. Rentokil has notified the CMA that it has entered into an agreement to sell the Divestment Business to ServiceMaster, conditional only upon acceptance by the CMA of the UILs. Rentokil has also notified the CMA that it has entered into the Amended PSA with Mitie.

Decision

31. For the reasons set out above, the CMA considers that the UILs provided by

⁹ *Merger Remedies, (CMA87)*, December 2018, paragraph 4.28; *Mergers: Guidance on the CMA's jurisdiction and procedure, (CMA2)*, January 2017, paragraph 8.30.

Rentokil are as comprehensive a solution as is reasonable and practicable and remedy, mitigate or prevent the SLC identified in the SLC Decision and any adverse effects resulting from it. The CMA has therefore decided to accept the UILs offered by Rentokil pursuant to section 73 of the Act. The Merger will therefore not be referred for a phase 2 investigation.

32. The undertakings, which have been signed by Rentokil and will be published on the CMA webpages,¹⁰ will come into effect from the date of this decision.

Colin Raftery
Senior Director, Mergers
Competition and Markets Authority
22 August 2019

¹⁰ See [Rentokil / MPCL case page](#).

Annex 1

Completed acquisition by Rentokil Initial Plc of MPCL Ltd (formerly Mitie Pest Control Ltd)

Notice under paragraph 2(1) of Schedule 10 to the Enterprise Act 2002 (the Act) – consultation on proposed undertakings in lieu of reference pursuant to section 73 of the Act

ME/6784-18

Introduction

1. As a result of documents executed on 29 and 30 September 2018, Rentokil Initial plc (**Rentokil**) acquired the pest control business of Mitie Pest Control Ltd (since renamed MPCL Ltd (**MPCL**)) (the **Merger**). Rentokil acquired the pest control business of MPCL from Mitie Limited, part of the Mitie Group (**Mitie**).
2. On 12 April 2019, the Competition and Markets Authority (**CMA**) decided under section 22(1) of the Enterprise Act 2002 (the **Act**) that it is or may be the case that the Merger constitutes a relevant merger situation¹ that has resulted or may be expected to result in a substantial lessening of competition (**SLC**) within a market or markets in the United Kingdom (the **SLC Decision**). The text of the SLC Decision is available on the CMA webpages.²
3. On 23 April 2019, Rentokil offered undertakings in lieu of reference to the CMA for the purposes of section 73(2) of the Act.
4. On 30 April 2019, the CMA gave notice to Rentokil, pursuant to section 73A(2)(b) of the Act, that it considers that there are reasonable grounds for believing that the undertakings offered, or a modified version of them, might

¹ Pursuant to section 25(4) of the Act the four-month period mentioned in section 24 of the Act is extended while the CMA is seeking undertakings in lieu of reference.

² See [Rentokil / MPCL case page](#).

be accepted by the CMA under section 73(2) of the Act and that it is considering Rentokil's offer (the **UIL Provisional Acceptance Decision**).

The undertakings offered

5. The SLC decision found that Rentokil acquired the pest control business of MPCL by way of a preferred supply agreement on 29 September 2018 (**PSA**)³ and a sale and purchase agreement of 30 September 2018 (**SPA**)⁴ (together the **Merger**) and that the Merger is a relevant merger situation.
6. As set out in the SLC Decision, the CMA found a realistic prospect of the Merger resulting in an SLC as a result of horizontal unilateral effects in the supply of pest control services to national customers in the UK.
7. As set out in the UIL Provisional Acceptance Decision, to address the SLC identified by the CMA Rentokil has offered to divest a number of contracts to provide pest control services to customers of MPCL located in eight or more regions of the UK, i.e. national customers acquired by Rentokil, excluding the PSA entered into by Rentokil and Mitie (the **Divestment Contracts**).⁵ Rentokil has offered to divest such assets including vans, employees, such as technicians and the national accounts team, and provide such transitional services as a purchaser reasonably deems necessary to be an effective national competitor (the **Divestment Business**). Rentokil has also offered to amend the key terms of the PSA by: (i) limiting its duration to [X]; and (ii) making the PSA non-exclusive, enabling Mitie to select additional and different suppliers for each end-customer without restrictions (the **Amended PSA**) (together the **Proposed Undertakings**). The text of the Proposed Undertakings is available on the CMA webpages.⁶
8. Rentokil has also offered to enter into an agreement for the sale and purchase of the Divestment Business with an upfront buyer, before the CMA finally accepts the Proposed Undertakings (the **Upfront Buyer Condition**). Rentokil has proposed ServiceMaster Global Holdings, Inc. (**ServiceMaster**) as the upfront buyer. This agreement will be conditional on acceptance by the CMA of the Proposed Undertakings, including approval of ServiceMaster as the buyer of the Divestment Business.

³ The PSA was concluded between Rentokil Initial UK Limited (part of the Rentokil Initial Group) and Mitie Limited (part of Mitie)

⁴ The SPA was concluded between Rentokil Initial 1927 PLC (part of the Rentokil Initial Group) and Mitie Limited (part of Mitie).

⁵ With an annual contract value of approximately £6.8m.

⁶ See [Rentokil / MPCL case page](#).

CMA assessment

Suitability of the proposed undertakings

9. The CMA currently considers that, subject to responses to the consultation required by Schedule 10 of the Act, the Proposed Undertakings will resolve the SLC identified in the SLC Decision in a clear-cut manner, ie the CMA currently does not have material doubts about the overall effectiveness of the Proposed Undertakings or concerns about their implementation.⁷
10. This is because the Divestment Contracts represent the large majority of MPCL's pre-Merger national pest control business . The Divestment Contracts do not fully replicate the pre-Merger relationship between MPCL and Mitie, under which MPCL was the default supplier of pest control services to Mitie customers receiving facilities management services.⁸ However, the Proposed Undertakings nonetheless enable the Divestment Business to compete for Mitie and its facilities management customers which represent the remainder of MPCL's pre-Merger national pest control business.
11. The CMA also considers that the Proposed Undertakings would be capable of ready implementation, because:
 - (a) The Divestment Business is a viable business that is capable of being transferred to an upfront purchaser, comprising revenue-generating customer contracts, key staff with expert knowledge of the UK pest control market and such assets, other employees and transitional services as a purchaser deems reasonably necessary to be an effective national competitor. While the CMA is aware that currently the Divestment Contracts may not be profitable as a standalone business, as discussed further below, the Proposed Purchaser has the ability and incentive to maintain and grow the Divestment Business and the CMA expects that the Proposed Purchaser will be an effective competitor.
 - (b) The Upfront Buyer Condition means that the CMA would accept the Proposed Undertakings only after Rentokil has entered into an agreement with a proposed purchaser that the CMA considers to be suitable.⁹
 - (c) In addition, the Proposed Undertakings include contractual obligations to enable the Proposed Purchaser to retain and win new national customers, including potential business from Mitie, and compete effectively in the

⁷ [Merger Remedies](#) (CMA 87), December 2018, Chapter 3, in particular paragraphs 3.27, 3.28 and 3.30.

⁸ See for more background on this relationship paragraphs 10, 11 and 20 of the SLC Decision.

⁹ See [CMA87](#), paragraphs 5.28 – 5.32 and [CMA2](#), paragraph 8.34.

immediate future. The Sale and Purchase Agreement for the Divestment Business (SPA) and related agreements, and the Amended PSA are subject to the CMA's approval.

(d) As discussed in further detail below, the CMA considers that the Proposed Purchaser has the expertise, financial means and infrastructure to maintain the Divestment Business.

12. The CMA therefore currently considers that, subject to responses to the consultation required by Schedule 10 of the Act, the Proposed Undertakings will resolve the SLC identified in the SLC Decision in a clear-cut manner, ie the CMA currently does not have material doubts about the overall effectiveness of the Proposed Undertakings or concerns about their implementation.¹⁰

Suitability of the proposed purchaser

13. The CMA's starting position is to seek an outcome that effectively address the SLC and its resulting adverse effects.¹¹ Therefore, in approving a purchaser, the CMA seeks to ensure that:
- (a) the acquisition by the purchaser remedies, mitigates or prevents the SLC concerned and any adverse effect resulting from it, achieving as comprehensive a solution as is reasonable and practicable;
 - (b) the purchaser has no significant connection to the merger parties that may compromise the purchaser's incentives to compete with the merged entity;
 - (c) the purchaser has access to appropriate financial resources, expertise (including managerial, operational and technical capability) and assets to enable the divested business to be an effective competitor. This access should be sufficient to enable the divestiture package to continue to develop as an effective competitor. The proposed purchaser is expected to obtain in advance all necessary approvals, licences and consents from any regulatory or other authority;
 - (d) the purchaser has an appropriate business plan and objectives for competing in the relevant market(s) and that the purchaser has the incentive and intention to maintain and operate the relevant business as

¹⁰ CMA 87, paragraphs 3.27, 3.28 and 3.30.

¹¹ CMA 87, paragraph 3.45.

part of a viable and active business in competition with the merged party and other competitors in the relevant market; and

(e) the divestiture to the purchaser does not create a realistic prospect of further competition or regulatory concerns.¹²

14. ServiceMaster is a global pest control management company active in the US, Central America, Asia and the Middle East. It is one of the largest pest control providers in the US, operating under the brand name Terminix.
15. ServiceMaster is already active in the UK¹³ in businesses other than pest control. ServiceMaster operates a number of route-based franchising businesses in the domestic and commercial services sectors in the UK. ServiceMaster told the CMA that, as part of its global expansion strategy, [redacted] it has recently purchased Pest Pulse, a technology-based pest control company¹⁴ active in the UK and Ireland. Further to its global expansion strategy, ServiceMaster is also currently [redacted].
16. The CMA considers that the acquisition by ServiceMaster of the Divestment Business would remedy, mitigate or prevent the SLC concerned and any adverse effect resulting from it as required by section 73(2) of the Act, achieving as comprehensive a solution as is reasonable and practicable. ServiceMaster told the CMA that the acquisition of the Divestment Business would enable ServiceMaster to continue to serve existing MPCL national customers for pest control services while expanding in the relevant market in the UK. In the SLC Decision, the CMA identified barriers to entry or expansion in the supply of pest control services to national customers in the UK, in particular: (i) customer expectations about service quality and availability of reporting and management information; and (ii) customer requirements for national coverage. The CMA considers that the acquisition of the Divestment Business by ServiceMaster would facilitate the entry in the UK of an alternative supplier of pest control services to national customers and so would remedy, mitigate or prevent the SLC.
17. In terms of independence, the evidence available to the CMA indicates that ServiceMaster has no significant connection to the merger parties that may compromise ServiceMaster's incentives to compete. ServiceMaster told the

¹² [Merger Remedies](#) (CMA 87), December 2018 paragraphs 5.20-5.27.

¹³ ServiceMaster operates in the UK through its wholly owned subsidiary ServiceMaster Ltd (registered in England 01250088)

¹⁴ Pest Pulse uses smart traps that permanently monitor a premise for pest activities, such as rodents.

CMA that it does not have any material influence over the merger parties and that no entity or individual within ServiceMaster holds or benefits from any current commercial arrangement or has any significant structural link (such as common directors or joint ventures) with the merger parties.

18. The evidence available to the CMA indicates that ServiceMaster has access to appropriate financial resources, expertise and assets to enable the Divested Business to be and to continue to develop as an effective competitor in the marketplace.
 - (a) In terms of financial resources, the evidence available to the CMA indicates that ServiceMaster has the available funds to acquire and operate the Divestment Business as an effective competitor. ServiceMaster will finance the acquisition of the Divestment Business from its cash reserves.
 - (b) In terms of expertise, ServiceMaster has significant experience in the operation of route-based businesses and, in particular, in providing pest control services to large national customers over a wide geographic area such as the US. In addition, ServiceMaster has extensive experience in acquiring other businesses, having undertaken numerous acquisitions [redacted] in the past year and already commenced its expansion in the UK pest control market prior to entering negotiations with Rentokil for the Divestment Business. ServiceMaster will supplement its limited experience in the UK pest control market with the expertise of key staff and technical and operational employees transferred with the Divestment Business and the expertise of Pest Pulse management, who have significant experience in the UK pest control market.
 - (c) In terms of assets, ServiceMaster will use its existing infrastructure in the UK to support the Divestment Business with a number of front and back office functions. There are no regulatory or other consents and approvals which ServiceMaster is required to obtain.
19. ServiceMaster has provided the CMA with a business plan for the Divestment Business, taking account of the financial performance of the Divestment Contracts, setting out its long-term strategy and objectives for the development and growth of its pest control activities in the UK. ServiceMaster has pledged significant financial resources for the Divestment Business and intends to achieve its growth plans for the Divestment Business through various means, including [redacted]. The CMA currently considers that ServiceMaster has the incentive and intention to maintain and operate the Divestment Business as part of a viable and active business in competition with Rentokil and other competitors in the relevant

market.

20. The CMA does not believe that ServiceMaster's acquisition of the Divestment Business would itself create a realistic prospect of regulatory problems or an SLC within any market or markets in the UK. The evidence available to the CMA indicates that ServiceMaster (and its recently purchased Pest Pulse business) is not a substantial constraint on the Divestment Business.¹⁵
21. Therefore, subject to responses to this consultation, the CMA currently considers ServiceMaster to be a suitable purchaser of the Divestment Business.

Proposed decision and next steps

22. For the reasons set out above, the CMA currently considers that the Proposed Undertakings and the purchase of the Divestment Business by ServiceMaster are, in the circumstances of this case, appropriate to remedy, mitigate or prevent the competition concerns identified in the SLC Decision and provide as comprehensive a solution to these concerns as is reasonable and practicable.
23. The CMA therefore gives notice that it proposes to accept the Proposed Undertakings in lieu of a reference of the Merger for a phase 2 investigation. The text of the proposed undertaking is available on the CMA web pages.¹⁶
24. Before reaching a decision as to whether to accept the Proposed Undertakings, the CMA invites interested parties to make their views known to it. The CMA will have regard to any representations made in response to this consultation and may make modifications to the Proposed Undertakings as a result. If the CMA considers that any representation necessitates any material change to the Proposed Undertakings, the CMA will give notice of the proposed modifications and publish a further consultation.¹⁷
25. Representations should be made in writing to the CMA and be addressed to:

Matteo Alchini
Mergers Group
Competition and Markets Authority

¹⁵ See further paragraph 14 above.

¹⁶ See [Rentokil / MPCL case page](#).

¹⁷ Under paragraph 2(4) of Schedule 10 to the Act.

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Deadline for comments: 18.00 on Thursday 25 July 2019