

COMPLETED ACQUISITION BY CVS GROUP PLC OF QUALITY PET
CARE LTD

**Directions issued on 6 October 2021 pursuant to paragraph 10 of
the Initial Enforcement Order made by the
Competition and Markets Authority on 22 September 2021 pursuant
to section 72(2) of the Enterprise Act 2002 (the Act)**

On 22 September 2021, the Competition and Markets Authority (**CMA**) issued an Initial Enforcement Order in accordance with section 72(2) of the Enterprise Act 2002 (the **Act**) concerning the completed acquisition of Quality Pet Care Ltd, (**Quality Pet Care**), trading as The Vet, by CVS Group plc via its wholly-owned subsidiary, CVS (UK) Limited (together with CVS Group plc, **CVS**) (the **Initial Enforcement Order**).

The CMA wishes to ensure that no action is taken pending final determination of any reference under section 22 of the Act which might prejudice that reference or impede the taking of any action by the CMA under Part 3 of the Act which might be justified by the CMA's decision on the reference.

On 27 September, 28 September and 1 October 2021, the CMA received CVS and Quality Pet Care's responses to the CMA's integration questionnaire. The CMA understands based on CVS' response that the central management team of Quality Pet Care were made redundant as a result of the acquisition of Quality Pet Care by CVS. Further, the CMA considers that the Quality Pet Care business has been fully integrated into CVS. On the basis of the information available to the CMA and following careful consideration, the CMA considers that a number of risk factors are present in this case and the CMA is concerned about the ability of Quality Pet Care to run its business independently of CVS, in accordance with the obligations under the Initial Enforcement Order.

The CMA now issues written Directions under paragraph 10 of the Initial Enforcement Order that, for the purpose of securing compliance with the Initial Enforcement Order, CVS and Quality Pet Care must appoint a formal Hold Separate Manager (**HSM**) of the acquired Quality Pet Care business in accordance with the terms provided for, and must comply with the obligations set out, in Annex 1.

Elie Yoo

Assistant Director, Mergers

6 October 2021

ANNEX 1

Directions to appoint a hold separate manager

Interpretation

1. In these Directions:

'the Act' means the Enterprise Act 2002;

'business' has the meaning given by section 129(1) and (3) of the Act;

'CMA' means the Competition and Markets Authority;

'Commencement date' means 22 September 2021, which is the commencement date of the Initial Enforcement Order;

'Derogations' means any derogations granted whether before or after the appointment of the HSM by the CMA by which CVS and Quality Pet Care may undertake certain actions that derogate from the Initial Enforcement Order;

'CVS' means CVS Group plc, a public limited company incorporated under the Companies Act 2006, registered at CVS House, Owen Road, Diss, Norfolk, United Kingdom, IP22 4ER with company number 06312831;

'the CVS business' means the business of CVS and its direct and indirect subsidiaries (including for the avoidance of doubt CVS (UK) Limited) but excluding the Quality Pet Care business, carried on as at the commencement date;

'HSM' means the Hold Separate Manager appointed in accordance with these Directions;

'Initial Enforcement Order' means the Initial Enforcement Order issued by the CMA on 22 September 2021 and addressed to CVS and Quality Pet Care;

'MT' means any Monitoring Trustee appointed pursuant to directions issued by the CMA under paragraph 10 of the Initial Enforcement Order;

'Quality Pet Care' means Quality Pet Care Ltd, a company incorporated under the Companies Act 2006, registered at One Crown Square, Church Street East, Working, United Kingdom, GU21 6HR, with company number 08249167;

'the Quality Pet Care business' means the business of Quality Pet Care, trading as The Vet, and its direct and indirect subsidiaries carried on as at the commencement date;

Terms and expressions defined in the Initial Enforcement Order have the same meaning in these Directions, unless the context requires otherwise.

Appointment

2. CVS and Quality Pet Care must appoint a formal HSM to ensure that the Quality Pet Care business operates as a viable and competitive business, separately from and independently of the CVS business. The HSM must be subject to the approval by the CMA of his or her identity and the terms and conditions of appointment. Any appointment must be made in accordance with the provisions of these Directions.
3. CVS and Quality Pet Care must appoint the HSM without delay and in any event by 5pm on 13 October 2021 (or such longer period as the CMA may reasonably agree in writing) and the HSM will continue to act until the CMA has finally determined the reference (within the meaning of section 79 of the Act) or revoked the Initial Enforcement Order. CVS and Quality Pet Care must provide the CMA with the draft terms and conditions of appointment of the potential candidate HSMs, by 5pm on 8 October 2021 (or such longer period as the CMA may reasonably agree in writing).
4. The HSM must act on behalf of the CMA and be under an obligation to the CMA to carry out his or her functions to the best of his or her abilities.
5. CVS and Quality Pet Care must ensure that the terms and conditions of appointment of the HSM reflect and give effect to the functions and obligations of the HSM and the obligations of CVS and Quality Pet Care as set out in these Directions.
6. CVS and Quality Pet Care and their subsidiaries and their employees, officers, directors, advisers and consultants must provide the HSM with all cooperation, assistance and information as the HSM may reasonably require in order to discharge his or her functions.

Functions

7. The functions of the HSM will be to exercise day-to-day management and control of the Quality Pet Care business so that:
 - (a) it operates as a viable and competitive business, separately from and independently of the CVS business and competes actively with the CVS business;
 - (b) appropriate management, reporting and decision-making systems are put in place to preserve the independence of the Quality Pet Care business and ensure such independence on an ongoing basis;

- (c) the Quality Pet Care business is maintained as a going concern with access to sufficient resources for its continued operation and development.
8. The HSM will also be required to:
- (a) ensure that the Quality Pet Care business complies with the Initial Enforcement Order;
 - (b) ensure the economic viability and competitiveness of the Quality Pet Care business in accordance with good business practice;
 - (c) minimise, as far as possible, any risk of loss of competitive potential of the Quality Pet Care business;
 - (d) assist the CMA and MT (should one be appointed) in monitoring the extent of compliance by CVS and Quality Pet Care with the Initial Enforcement Order (including any direction issued under paragraph 10 of the Initial Enforcement Order) or any other order issued by the CMA pursuant to section 72 of the Act;
 - (e) discuss with the MT (should one be appointed) arrangements which have been, or should be, put in place to ensure the separate operation from the CVS business of a viable, competitive Quality Pet Care business and compliance by CVS and Quality Pet Care with the Initial Enforcement Order; and
 - (f) provide every two weeks (or otherwise as required by the CMA) a statement stating whether or not the Quality Pet Care business has complied with the Initial Enforcement Order.
9. The HSM must take such steps as he or she reasonably considers necessary in order to carry out the HSM's functions effectively.
10. The HSM must comply with any requests made by the CMA for the purpose of ensuring the full and effective compliance by CVS and Quality Pet Care with the Initial Enforcement Order.
11. The HSM must immediately notify the CMA in writing if he or she forms a reasonable suspicion that the Initial Enforcement Order has been breached or if he or she considers that he or she is no longer in a position to effectively carry out the HSM's functions.

General

12. The HSM must possess the appropriate qualifications and experience to carry out the HSM's functions.
13. The HSM must neither have nor become exposed to a conflict of interest that impairs the HSM's objectivity and independence in discharging his or her functions under these Directions, unless it can be resolved in a manner and within a timeframe acceptable to the CMA.
14. CVS and Quality Pet Care shall remunerate and reimburse the HSM for all reasonable costs properly incurred in accordance with the terms and conditions of the appointment and in such a way so as not to impede the HSM's independence or ability to effectively and properly carry out the HSM's functions.
15. CVS and Quality Pet Care must provide the CMA with a copy of the agreed terms and conditions of the appointment of the HSM prior to his or her appointment.
16. Any termination of the appointment of the HSM is subject to the agreement of the CMA, such agreement not to be unreasonably withheld.
17. All communications between the HSM and the CMA are confidential and should not be disclosed to CVS or Quality Pet Care, save with the prior written consent of the CMA. The HSM shall not disclose such communications to third parties.
18. The CMA may issue such further directions as it considers necessary to ensure compliance with the Initial Enforcement Order, including, where the appointment of the HSM has been terminated, directions for the appointment of a further HSM.