

# Completed Acquisition by VetPartners Limited of Goddard Holdco Limited

## DECISION ON ACCEPTANCE OF UNDERTAKINGS IN LIEU OF REFERENCE

ME/6967/21

Please note that [X] indicates figures or text which have been deleted or replaced in ranges at the request of the parties for reasons of commercial confidentiality.

### Introduction

1. On 26 October 2021, VetPartners Limited (**VetPartners**) acquired Goddard Holdco Limited (**Goddard**) (the **Merger**). VetPartners and Goddard are together referred to as the **Parties**. VetPartners and Goddard overlap in the provision of first opinion veterinary care to small animals, on a commercial basis, during standard daytime hours (**standard small animal veterinary services**) in 11 local areas in Greater London.
2. On 28 April 2022, 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 situation 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 6 May 2022, VetPartners offered undertakings in lieu of reference to the CMA for the purposes of section 73(2) of the Act. The CMA gave notice to VetPartners on 13 May 2022, 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 VetPartners' offer (the **UILs Provisional Acceptance Decision**).

4. The text of the SLC Decision and the UILs Provisional Acceptance Decision are available on the CMA's case page for the Merger.<sup>1</sup>

### The undertakings offered

5. As set out in the SLC Decision, the CMA found a realistic prospect of an SLC as a result of horizontal unilateral effects in relation to the supply of standard small animal veterinary services in 11 local areas within Greater London (together the **SLC areas**).
6. As set out in the UILs Provisional Acceptance Decision, VetPartners offered to divest eight sites and all core assets, including staff, fixed assets, local site management and customer records (the **Divestment Business**), as set out in the proposed undertakings published by the CMA (the **UILs**).<sup>2</sup>
7. VetPartners 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 UILs. VetPartners proposed Linnaeus Veterinary Limited (**Linnaeus**) as the upfront buyer. On 4 August 2022, VetPartners and Linnaeus entered into a Share Purchase Agreement for the entire issued share capital of Forest Veterinary Centre Limited and Palmerston Veterinary Group Limited. This agreement is conditional on acceptance by the CMA of the Proposed Undertakings, including approval of Linnaeus as the buyer of the Divestment Business.

### Consultation

8. On 5 August 2022, 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 consultation is set out at Annex 1 of this decision.<sup>3</sup> 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.<sup>4</sup>
9. The CMA received one submission during the consultation period. A third party raised concerns in relation to the effectiveness of the UILs to address the SLC because of a high level of corporate consolidation in the veterinary industry in the

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<sup>1</sup> See [VetPartners Limited / Goddard Holdco Limited merger inquiry - GOV.UK \(www.gov.uk\)](http://www.gov.uk).

<sup>2</sup> See [VetPartners Limited / Goddard Holdco Limited merger inquiry - GOV.UK \(www.gov.uk\)](http://www.gov.uk).

<sup>3</sup> The full consultation text was published on to the [CMA's case page for the Merger](#).

<sup>4</sup> [Merger remedies, \(CMA87\), December 2018](#), Chapter 3, in particular paragraphs 3.27, 3.28 and 3.30.

UK, and in London in particular. They submitted that divestment would be more effective if the practices were to be divested to independent practitioners (rather than to corporate groups), or at least to a corporate group that does not have a significant presence in the area.

10. The third party also submitted that Linnaeus was not a suitable purchaser because it has a significant presence in North East London through its existing practices (Animal Ark Veterinary Centre and Village Vet Group), which overlap with the Divestment Business, therefore, the divestment would not resolve the competition concerns found by the CMA in the SLC areas.
11. The CMA carefully assessed the concerns raised during the consultation, including as part of its purchaser approval process:
  - (a) With regards to the concern of growing corporate consolidation nationally and in London, as set out in the SLC Decision, the CMA received a number of concerns on the effects of corporate consolidation during the course of its investigation. The CMA carefully considered this trend and whether the Merger could impact on national or regional competition. Whilst the CMA found some evidence of elements of national competition between corporate groups, the CMA did not find evidence that the Merger would substantially impact national or regional competition. Similarly, the CMA does not consider that the divestment of eight sites in Greater London to Linnaeus would have a meaningful effect on any national competition that takes place between VetPartners and Linnaeus.
  - (b) With regards to the concern of Linnaeus not being a suitable purchaser because it already has a significant presence in North East London, as part of its purchaser suitability assessment the CMA analysed whether there were any local competition concerns based on the location of the sites forming the Divestment Business and those of Linnaeus. The CMA used the same approach as set out in the SLC Decision, using customer data and drivetimes to calculate the relevant customer catchments for the Divestment Business and Linnaeus. This analysis found no local overlaps between Linnaeus sites and the Divestment Business and, as such, the CMA is satisfied that the divestment would not raise competition concerns in these local areas.
12. Accordingly, the submission made during the consultation did not cause the CMA to change its preliminary view that the UILs would be acceptable (and the CMA has not otherwise become aware of any information that might cause a change in this view), and that Linnaeus would be a suitable purchaser of the Divestment Business

13. The CMA therefore considers that the UILs offered by VetPartners are clear-cut and appropriate to remedy, mitigate or prevent the competition concerns identified in the SLC Decision and that Linnaeus is a suitable purchaser of the Divestment Business.

## **Decision**

14. For the reasons set out above, the CMA considers that the UILs provided by VetPartners 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 VetPartners pursuant to section 73 of the Act. The Merger will therefore not be referred for a phase 2 investigation.
15. The undertakings, which have been signed by VetPartners and will be published on the CMA webpages, will come into effect from the date of this decision.

**Colin Raftery**  
**Competition and Markets Authority**  
**2 September 2022**

**ANNEX 1**

# Completed acquisition by VetPartners Limited of Goddard Holdco Limited

## 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/6967/21

### INTRODUCTION

1. On 26 October 2021, VetPartners Limited (**VetPartners**) acquired Goddard Holdco Limited (**Goddard**) (the **Merger**).
2. On 28 April 2022, the Competition and Markets Authority (**CMA**) decided under section 22(1) of the Act that it is or may be the case that the Merger constitutes a relevant merger situation<sup>5</sup> 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.<sup>6</sup>
3. On 6 May 2022, VetPartners offered undertakings in lieu of reference to the CMA for the purposes of section 73(2) of the Act (the **Proposed Undertakings**).
4. On 13 May 2022, the CMA gave notice to VetPartners, 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 be accepted by the CMA under section 73(2) of the Act and that it is considering VetPartners' offer (the **UIL Provisional Acceptance Decision**).

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<sup>5</sup> 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.

<sup>6</sup> See [VetPartners Limited / Goddard Holdco Limited merger inquiry - GOV.UK \(www.gov.uk\)https://www.gov.uk/cma-cases/cvs-slash-quality-pet-care-merger-inquiry](https://www.gov.uk/cma-cases/cvs-slash-quality-pet-care-merger-inquiry).

5. Pursuant to 73A(3) of the Act the CMA had until 12 July 2022 to decide whether to accept this undertaking. On 7 July 2022, the CMA extended the period under section 73A(4) of the Act. The extension ends on 7 September 2022.

## THE UNDERTAKINGS OFFERED

6. As set out in the SLC Decision, the CMA found a realistic prospect of an SLC as a result of horizontal unilateral effects in relation to the supply of standard small animal veterinary services in 11 local areas located in Greater London (together the **SLC areas**). The SLC Areas are listed in Annex 1.
7. As set out in the UIL Provisional Acceptance Decision, to address the SLC identified by the CMA, VetPartners has offered undertakings to divest eight sites located in or around the SLC areas (Palmerston Romford, Palmerston Buckhurst Hill, Palmerston Walthamstow, Best Friends Isle of Dogs, Best Friends Oakhill, Forest Woodford, Forest Epping and Forest Harlow) along with all core assets, including staff, fixed assets, local site management and customer records. These eight sites are referred to as the **Divestment Business**. The text of the Proposed Undertakings is available on the CMA webpage.<sup>7</sup>
8. VetPartners offered certain transitional service arrangements (**TSAs**) to ensure the continuity of the operations of VetPartners' Divestment Business immediately post-divestiture. VetPartners proposed that the TSAs will have a maximum duration of three months, or for such a time as required by the CMA and the divestment purchaser.
9. VetPartners 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**). VetPartners has proposed Linnaeus Veterinary Limited (**Linnaeus**) as the upfront buyer. On 4 August 2022, VetPartners and Linnaeus entered into a Share Purchase Agreement for the acquisition of the sites in the Divestment Business. This agreement is conditional on acceptance by the CMA of the Proposed Undertakings, including approval of Linnaeus as the buyer of the Divestment Business.

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<sup>7</sup> [VetPartners Limited / Goddard Holdco Limited merger inquiry - GOV.UK \(www.gov.uk\)https://www.gov.uk/cma-cases/cvs-slash-quality-pet-care-merger-inquiry.](https://www.gov.uk/cma-cases/cvs-slash-quality-pet-care-merger-inquiry)

## **CMA ASSESSMENT**

10. 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.<sup>8</sup> This is because the Proposed Undertakings would address the SLC in all the SLC areas identified in the SLC Decision and maintain the existing hub and spoke arrangement of the divested sites and, as such, would restore the competitive constraint provided by Goddard on VetPartners (and vice versa) that would otherwise have been lost in the SLC areas as a result of the Merger.
11. The CMA also considers that the Proposed Undertakings would be capable of ready implementation because the Divestment Business is a standalone business and includes all assets that enabled it to viably operate and compete with Goddard prior to the Merger and since the implementation of an Initial Enforcement Order on 15 November 2021.
12. The Upfront Buyer Condition means that the CMA would only accept the Proposed Undertakings after VetPartners has entered into an agreement with a nominated buyer that the CMA considers to be suitable. The CMA considers that an Upfront Buyer Condition is necessary because the identity of the purchaser will affect the effectiveness of the Proposed Undertakings to remedy the CMA's competition concerns. The evidence available to the CMA indicates that Linnaeus has sufficient resources and expertise to provide the necessary management support to enable the Divestment Business to operate as a competitor to VetPartners immediately.

### **Suitability of the proposed purchaser**

13. In approving a purchaser, the CMA's starting position is that it must be confident, without undertaking a detailed investigation, that the proposed purchaser will restore pre-merger levels of competition. The CMA therefore 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;

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<sup>8</sup> [Merger remedies \(publishing.service.gov.uk\)](https://publishing.service.gov.uk) (CMA87), December 2018, Chapter 3, paragraph 3.28.



- (b) the proposed purchaser is independent from and has no significant connection to the merger parties that may compromise the purchaser's incentives to compete with VetPartners (eg an equity interest, common significant shareholders, shared directors, reciprocal trading relationships or continuing financial assistance);
  - (c) the proposed purchaser has sufficient capability, including access to appropriate financial resources, expertise (including managerial, operational and technical capability) and assets, to enable the divested business to be an effective competitor in the market. This access should be sufficient to enable the divestiture package to continue to develop as an effective competitor. The proposed purchaser is reasonably expected to obtain all necessary approvals, licences and consents from any regulatory or other authority;
  - (d) the proposed purchaser is committed to, and has an appropriate business plan and objectives for competing in, the relevant markets, and that the purchaser has the incentive and intention to maintain and operate the relevant business as part of a viable and active business in competition with VetPartners and other competitors in the relevant market; and
  - (e) the acquisition by the proposed purchaser does not create a realistic prospect of further competition or regulatory concerns.<sup>9</sup>
14. Subject to the responses to this consultation, and having regard in particular to the criteria set out in paragraph 13 above, the CMA currently considers Linnaeus to be a suitable purchaser of the Divestment Business for the following reasons:
- (a) The CMA currently considers that the acquisition by Linnaeus of the Divestment Business would remedy, mitigate or prevent the SLCs concerned and any adverse effect resulting from them, achieving as comprehensive solution as is reasonable and practicable. This is because it would allow the Divestment Business to compete in each of the SLC areas in which VetPartners operates, fully replacing the competition that previously existed between VetPartners and Goddard.
  - (b) The evidence available to the CMA indicates that Linnaeus and all other related entities are independent of VetPartners and do not appear to have any significant connection to VetPartners that may compromise its

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<sup>9</sup> [CMA87](#), paragraphs 5.20 to 5.27.

incentives to compete with VetPartners if it were to acquire the Divestment Business.

- (c) The evidence available to the CMA indicates that Linnaeus has both the capabilities and access to appropriate financial resources to acquire and operate the Divestment Business as an effective competitor:
- (i) In relation to its relevant managerial, operational and technical expertise, Linnaeus was formed in 2014 and currently operates more than 180 veterinary practices in the UK and Ireland, as well as providing veterinary services in Europe and North America. Linnaeus submitted that it has experience in acquiring and integrating business as it had integrated five veterinary practices in November 2020. Linnaeus provided detailed plans to integrate, maintain and develop the Divestment Business and, on this basis, the CMA considers that Linnaeus has the appropriate managerial, operational and technical expertise to operate the Divestment Business as an effective competitor in the market for standard small animal veterinary services.
  - (ii) In relation to its financial resources, Linnaeus had a turnover of £[redacted] million for the year ended 31 December 2021. [redacted]. Mars is a US-based multi-national business with global sales of more than \$[redacted] bn. Linnaeus provided evidence that it has existing cashflows capable of financing the acquisition and supporting the ongoing development of the Divestment Business and its existing business from its projected turnover. Therefore, the CMA considers that Linnaeus has the necessary financial resources to operate the Divestment Business as an effective competitor in the market for standard small animal veterinary services.
- (d) Linnaeus discussed its plans for the Divestment Business with the CMA and provided detailed financial projections, based on the prior performance of Linnaeus' sites and assumptions about the forecasted revenue it expects to achieve within the Divestment Business. The CMA considers that these assumptions are reasonable. Linnaeus separately provided the CMA with details of its management plans and operational strategy, including the transition and eventual integration of the Divestment Business into Linnaeus. The plans, financial projections, management plans and overall strategy indicate that Linnaeus has the necessary understanding of the

Divestment Business' operational dynamics and is committed to operating it as a viable competitor to VetPartners and other competitors in each of the SLC areas. The CMA notes that Linnaeus expects to need limited transitional arrangements with VetPartners but that these should support the immediate viability of the Divestment Business by mitigating any risks to continuity of service.

- (e) The evidence available to the CMA indicates that the acquisition of the Divestment Business by Linnaeus should not create a realistic prospect of further competition concerns. Although Linnaeus operates some practices in Greater London, each of Linnaeus' existing practices are in different local areas to each of the Divestment Business' practices such that there is no local overlap between Linnaeus and the divested sites. As such, the CMA believes there is no possibility of an SLC as a result of horizontal unilateral effects in any of the local areas. Nor are there any vertical links between Linnaeus (including Mars and all other related entities) and VetPartners that could give rise to competition concerns.

- 15. Therefore, subject to responses to this consultation, the CMA currently considers Linnaeus to be a suitable purchaser of the Divestment Business.

### **Proposed decision and next steps**

- 16. For the reasons set out above, the CMA currently considers that the Proposed Undertakings and the purchase of the Divestment Business by Linnaeus are, in the circumstances of this case, appropriate to remedy, mitigate or prevent the competition concerns identified in the SLC Decision and form as comprehensive a solution to these concerns as is reasonable and practicable.
- 17. 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.<sup>10</sup>
- 18. 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

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<sup>10</sup> See [VetPartners Limited / Goddard Holdco Limited merger inquiry - GOV.UK \(www.gov.uk\)](http://www.gov.uk) .

Undertakings, the CMA will give notice of the proposed modifications and publish a further consultation.<sup>11</sup>

19. Representations should be made in writing to the CMA, preferably by email, and be addressed to:

Georgia Zele

Email: [georgia.zele@cma.gov.uk](mailto:georgia.zele@cma.gov.uk)

**Deadline for comments: 19 August 2022**

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<sup>11</sup> Under paragraph 2(4) of Schedule 10 to the Act.

## ANNEX A: ANNEX 1 – SLC AREAS

<b>Site type</b>	<b>Site name</b>	<b>Site owner</b>
Hospital	Goddard Wanstead	Goddard
Hospital	Forest Veterinary Centre Epping	VetPartners
Hospital	Palmerston Veterinary Group Buckhurst	VetPartners
Practice	Goddard Chingford	Goddard
Practice	Goddard Loughton	Goddard
Practice	Goddard South Woodford	Goddard
Practice	Goddard Walthamstow	Goddard
Practice	Best Friends Isle of Dogs	VetPartners
Practice	Best Friends Oakhill	VetPartners
Practice	Forest Veterinary Centre Woodford	VetPartners
Practice	Palmerston Veterinary Group Walthamstow	VetPartners

