

DEROGATION LETTER

IN RESPECT OF INITIAL ENFORCEMENT ORDERS ISSUED PURSUANT TO SECTION 72(2) ENTERPRISE ACT 2002

Consent under section 72(3C) of the Enterprise Act 2002 (the 'Act') to certain actions for the purposes of the Initial Enforcement Orders made by the Competition and Markets Authority ('CMA') on 21 December 2022

COMPLETED ACQUISITIONS BY MEDIVET GROUP LIMITED

Dear [redacted]

We refer to your email and accompanying note dated 6 November 2022, and further submissions provided on 18 November and 28 November 2022, requesting that the CMA consents to derogations to the Initial Enforcement Orders of 21 December 2022 (the 'Initial Orders'). The terms defined in the Initial Orders have the same meaning in this letter. Further, in this letter:

- **UK Business** means the Medivet business save for the Non-UK Business.
- **Non-UK Business** comprises the Medivet businesses located in Germany, Spain and Poland.

Under the Initial Orders, save for written consent by the CMA, the Acquirer Group is required to hold separate the Acquirer Group business from the Target Entities businesses and refrain from taking any action which might prejudice a reference under section 22 of the Act or impede the taking of any remedial action following such a reference.

After due consideration of your request for derogations from the Initial Order, based on the information received from you and in the particular circumstances of this case, the Acquirer Group may carry out the following actions, in respect of the specific paragraphs:

1. Paragraphs 4(b), 5(b), 5(c), 5(e), 5(h), 5(i), 5(k) and 8 of the Initial Orders

Medivet has sought the CMA's consent to limit the scope of paragraphs 4(b), 5(b), 5(c), 5(e), 5(h), 5(i), 5(k) and 8 of the Initial Orders so that they apply only to the UK Business (thereby excluding the Non-UK Business from the abovementioned provisions of the Initial Orders).

Medivet submits that the scope of the CMA's investigations in this case relates to 17 acquisitions in particular local areas in the UK and that the non-UK aspects of its business

are unrelated to the activities of the target practices in the 17 acquisitions being investigated, which are inherently and self-evidently local in nature. Medivet does not consider any links between the UK and non-UK aspects of the Medivet business to be material in the context of the CMA's investigation. Specifically, Medivet submits that:

- (a) The UK Business and Non-UK Business are run in accordance with its own business plan set by its country-specific management team. Each of the UK, Spanish and German business of Medivet [redacted].
- (b) The Non-UK Business does not provide any input from a commercial, strategic or operational perspective to the UK Business. [redacted].
- (c) The Non-UK Business does not engage in sales or activities in the UK, or otherwise support the commercial activity of the UK Business.
- (d) [redacted].
- (e) Medivet is not aware of any common customers between the UK and Non-UK Business. Medivet notes that the provision of veterinary services to customers is inherently local in nature. Further, the nature of the customer-base is comprised of a large number of small customers, none of whom individually account for a material portion of revenue of a given practice. In these circumstances, without a detailed interrogation of customer data, Medivet cannot confirm whether an individual customer may or may not have made use of a Medivet facility in another jurisdiction (e.g. while travelling with a pet on holiday). Further, even if there were to be a small number of common customers, it is inconceivable in the context of veterinary business that these relationships would in any way impact the ability of the CMA to impose remedial action, if required.
- (f) To the extent there are any common suppliers between the UK Business and Non-UK Business (e.g. large pharmaceutical companies that supply medicines and equipment to their customers across multiple jurisdictions, including Medivet), this would not compromise the CMA's ability to take any remedial action should this be required.
- (g) The UK Business do not use and is not reliant on any tangible or intangible assets owned by the Non-UK Business in order to conduct the UK Business day-to-day or to ensure its continued operation and ongoing viability.
- (h) Individuals with responsibilities that relate to both the UK and Non-UK Business are individuals in the central procurement function, as well as business control and back-office functions. The fact of these individuals having roles which relate

to both the UK and Non-UK Business would not impact the CMA's ability to impose remedial action if required. Further, Medivet submits that these individuals do not hold positions of strategic or commercial influence. As outlined and for completeness, the Non-UK business does not provide any input from a commercial, strategic or operational perspective to the UK Business.

- (i) The Non-UK Business operates on separate IT systems to the UK Business, [redacted]. The non-UK aspects of the business will have their own domestic/localised practice management system(s).
- (j) Save for the link described at paragraph (b), the UK Business has its own finance and operational functions.
- (k) All contracts which support the ongoing operation and viability of the UK Business are owned and controlled by the UK Business.

On the basis of representations provided by Medivet above, the CMA consents to a derogation to limit the scope of paragraphs 4(b), 5(b), 5(c), 5(e), 5(h), 5(i), 5(k) and 8 of the Initial Orders so that they only apply to the UK Business, strictly on the basis that:

- (i) Notwithstanding that their roles extend to the Non-UK Business, the Board of Medivet Group Limited, Chief Executive Officer, Group Financial Controller and Group Treasury & Tax head, or any other member of the central management team of Medivet who hold management responsibilities in, or otherwise provide commercial, strategic or operational input into the UK Business will remain within the scope of the Initial Orders.
- (ii) Notwithstanding that their roles extend to the Non-UK Business, individuals in the central procurement function, as well as business control and finance back-office functions, will remain within the scope of the Initial Orders.
- (iii) This derogation will not cause disruption to the UK Business, nor impact its ongoing operation or viability on a standalone basis.
- (iv) Medivet has disclosed all relevant links between the UK Business and the Non-UK Business.
- (v) This derogation will not lead to pre-emptive action which might prejudice the outcome of a reference or impede the taking of any action which may be justified by the CMA's decisions on a reference.



Sincerely,

[✂]

Faye Fullalove

Assistant Director

Mergers

21 December 2022