

Completed acquisition by Eville & Jones (Group) Limited of Vorenta 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/2023/22

INTRODUCTION

1. Pursuant to a share purchase agreement dated 9 September 2022, Eville & Jones (Group) Limited (**E&J**) acquired the whole issued share capital of Vorenta Ltd (and all its subsidiaries within the meaning of section 1159 of the Companies Act 2006, including Hall Mark Meat Hygiene Limited (**HallMark**) and Meat and Livestock Commercial Services Ltd (**MLCSL**), together **Vorenta**) (the **Merger**). E&J and Vorenta are together referred to as the **Parties**.
2. On 6 March 2023, 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 that has resulted or may be expected to result in a substantial lessening of competition (**SLC**) within certain markets in the United Kingdom (the **SLC Decision**).
3. On 13 March 2023, E&J offered undertakings in lieu of reference to the CMA for the purposes of section 73(2) of the Act.
4. On 20 March 2023, the CMA gave notice to E&J, pursuant to section 73A(2)(b) of the Act, that it considers that there are reasonable grounds for believing that the undertakings in lieu of reference 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 E&J's offer (the **UIL Provisional Acceptance Decision**).

THE UNDERTAKINGS OFFERED

5. As set out in the SLC Decision, the CMA found a realistic prospect of an SLC in relation to:
 - (a) the outsourced supply of meat official controls¹ to the Food Standards Agency (**FSA**) in England and Wales;
 - (b) the supply of export health certificates (**EHCs**) in relation to products of animal origin (**POAO**) in Great Britain;
 - (c) the outsourced supply of official veterinarians to undertake POAO border inspections² in England; and
 - (d) the outsourced supply of inspectors to undertake certain agricultural inspections³ on behalf of the Rural Payments Agency (**RPA**) in England (the **SLC Areas**).

6. As set out in the UIL Provisional Acceptance Decision, to address the SLC Areas identified by the CMA, E&J has offered undertakings in lieu of a reference to an in-depth, Phase 2 investigation. The offered undertakings involve the divestment of the Vorenta business, including HallMark, MLCSL and all other Vorenta subsidiaries within the meaning of section 1159 of the Act. The divestment business will also include all assets of the Vorenta business (including leases) and key staff and will be divested as a going concern on a cash free/debt free basis (the **Divestment Business**). The full text of the undertakings in lieu offered is available on the CMA webpage (the **Proposed Undertakings**).⁴

7. E&J has also offered to enter 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**). E&J has proposed a management buy-out group comprised of some members of the current Vorenta senior management team, namely Mr Patrick David John Steel, Mr Diego

¹ These are document and physical checks of animals, carcase, and offal to ensure compliance with hygiene, food and feed law and rules on animal health and welfare in meat production establishments.

² These are inspections over POAO being imported into the UK from certain third countries at border control posts.

³ These are inspections carried out by, or on behalf the RPA, before the RPA makes grants or payments to farmers, traders, or landowners under a number of funding schemes available in the UK.

⁴ See [Eville & Jones / Vorenta merger inquiry](#).

Sprekelsen Rodriguez, and Ms Penelope Ann Thorne (the **Vorenta MBO Team**) who will create a new company to purchase the Divestment Business called SST Holdings Ltd. (**SST**). On 5 April 2023, the CMA received a share purchase agreement which will be entered into E&J and the Vorenta MBO Team for the sale and acquisition of the Divestment Business (the **SPA**). The SPA is conditional on the approval of the Vorenta MBO Team as the purchaser of the Divestment Business and approval of the terms and conditions of the SPA by the CMA.

CMA ASSESSMENT

8. 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 Areas identified in the SLC Decision in a clear-cut manner. This means that the CMA currently does not have material doubts about the overall effectiveness of the Proposed Undertakings or concerns about their implementation.⁵ This is because the Proposed Undertakings would result in the full divestment of the Vorenta business by E&J, addressing the SLC Areas identified in the SLC Decision. As such, the CMA considers that the divestiture of the Divestment Business would restore the competitive constraint provided by Vorenta on E&J (and vice versa) that would otherwise be lost following the Merger.
9. 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 (save for a very limited number of key staff)⁶ that enabled Vorenta to viably operate and compete with E&J prior to the Merger and since the implementation of an initial enforcement order by the CMA on 2 November 2022 (the **Initial Enforcement Order**).
10. The Upfront Buyer Condition means that the CMA would accept the Proposed Undertakings only after E&J has reached an agreement with a proposed purchaser 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 SLC Areas identified in

⁵ [Merger remedies \(CMA87\)](#), 13 December 2018, paragraph 3.28.

⁶ Certain Vorenta's shareholders, who were also members of Vorenta's senior management team prior to the Merger, exited the Vorenta business following the Merger. The Vorenta business has been managed by a hold separate manager appointed under written directions made by the CMA on 16 November 2022 pursuant to paragraph 10 of the Initial Enforcement Order.

the SLC Decision. The evidence available to the CMA indicates that the Vorenta MBO Team, through SST, will have sufficient resources and expertise to provide the necessary support to enable the Divestment Business to quickly compete with E&J as a standalone business.

Suitability of the proposed purchaser

11. 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;
 - (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 the acquirer (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; and
 - (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 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.⁷

12. Subject to responses to this consultation, and having regard in particular to the criteria set out in paragraph 11, the CMA currently considers the Vorenta MBO Team, through SST, to be a suitable purchaser of the Divestment Business for the following reasons:

- (a) The acquisition by the Vorenta MBO Team, through SST, would remedy, mitigate, or prevent the SLC concerned and any adverse effect resulting from it, achieving as comprehensive a solution as is reasonable and practicable. This is because it would allow the Divestment Business to compete in each of the SLC Areas, as well as the other areas in which E&J operates, fully replacing the competitive constraint provided by Vorenta pre-Merger.
- (b) The evidence available to the CMA indicates that the Vorenta MBO Team and SST (and any related entities) are independent and do not appear to have any significant connection to E&J or to other entities active in the SLC Areas identified in the SLC Decision that may compromise their incentives to compete against the E&J if they were to acquire the Divestment Business.
- (c) The evidence available to the CMA indicates that the Vorenta MBO Team, through SST, will have the appropriate financial resources, expertise (including managerial, operational, and technical capability) and assets, and incentive needed to maintain and develop the Divestment Business as a viable and competitive business in competition with the E&J and other competitors on an ongoing basis.
- (i). In relation to its relevant managerial, operational, and technical expertise, the Vorenta MBO Team is comprised of the current group head of human resources, head of operations, and financial controller who have held senior management positions at Vorenta since at least January 2022. They have experience in delivering the range of work actually or potentially supplied by Vorenta pre-Merger, including the outsourced supply of meat official controls to the FSA in England and Wales, the supply of POAO EHCs in Great Britain, the outsourced supply of official

⁷ [Merger remedies \(CMA87\)](#), 13 December 2018, paragraphs 5.20 to 5.27.

veterinarians to undertake border inspections in England, and the outsourced supply of inspectors to undertake certain agricultural inspections on behalf of the RPA in England. The Vorenta MBO Team intends to employ and promote further individuals to the management of SST with relevant experience to strengthen the existing management structures within Vorenta and replace the senior management team members that have already exited the Vorenta business post-Merger. The Vorenta MBO Team has submitted to the CMA that it has effectively been managing the Vorenta business pre-Merger and since the imposition of the Initial Enforcement Order.

(ii). In relation to its financial resources, the available evidence to the CMA suggests that the Vorenta MBO Team has a credible plan to finance the acquisition of the Divestment Business, and, concurrently, to invest in developing the competitiveness of the Divestment Business.

(d) The evidence available to the CMA indicates that the Vorenta MBO Team has an appropriate business plan for competing in the supply of the SLC Areas identified in the SLC Decision. The business plans shared by the Vorenta MBO Team with the CMA indicate that it has the necessary understanding of the SLC Areas identified in the SLC Decision and customers, and that it will have the necessary capability to continue offering customers the services and support they require. According to the Vorenta MBO Team's business plan, it is committed to operating the Divestment Business and to grow this business as a viable competitor to E&J in the SLC Areas identified in the SLC Decision.

(e) The evidence available to the CMA indicates that the acquisition of the Divestment Business by the Vorenta MBO Team, through SST, will not create a realistic prospect of further competition concerns within any market or markets in the UK for good or services, as no member of the Vorenta MBO Team is or will be connected to any entities which are active in the SLC Areas identified in the SLC Decision.

13. Therefore, subject to responses to this consultation, the CMA currently considers the Vorenta MBO Team, through SST, to be a suitable purchaser of the Divestment Business.

Proposed decision and next steps

14. For the reasons set out above, the CMA currently considers that the Proposed Undertakings and the purchase of the Divestment Business by the Vorenta MBO Team, through SST, 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.
15. The CMA therefore gives notice that it proposes to accept the Proposed Undertakings in lieu of a reference of the Merger for an in-depth, Phase 2 investigation. The text of the Proposed Undertakings is available on the dedicated case page of the CMA's website.⁸
16. 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.⁹
17. Representations should be made in writing to the CMA, preferably by email, and be addressed to:

Carolina Ricciardi

Email: Carolina.Ricciardi@cma.gov.uk

and

Darren Gysi

Email: Darren.Gysi@cma.gov.uk

Deadline for comments: 26 April 2023

⁸ [Eville & Jones / Vorenta merger inquiry](#).

⁹ Under paragraph 2(4) of Schedule 10 to the Act.