

## **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 and 24 January 2023**

### **COMPLETED ACQUISITION BY MEDIVET GROUP LIMITED OF MULTIPLE INDEPENDENT VETERINARY PRACTICES**

Dear [REDACTED]

We refer to your email and accompanying note dated 8 February 2023 requesting that the CMA consents to a derogation to the Initial Enforcement Orders of 21 December 2022 (as varied) and 24 January 2023 in respect of the completed acquisitions by Medivet Group Limited (the 'Initial Orders'). The terms defined in the Initial Orders have the same meaning in this letter.

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 a derogation from the Initial Orders, 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) and 5(e) of the Initial Orders**

Medivet submits that a core part of Medivet's business has been built on its branch partnership model where vets can become equity partners with Medivet in their own clinic. Through this structure, Medivet incentivises ownership and promotes accountability for the partner vet, while maintaining its clinical-excellence standard and consistent corporate support across Medivet clinics.

Medivet requests a derogation from paragraph 4(b) and 5(e) of the Initial Orders to enter into branch partnership agreements with existing Medivet sites subject to the CMA's prior approval.

Medivet submits that branch partnership arrangements may be entered into either when acquiring a new site or with existing sites. In relation to the latter, the branch partner may be the former owner who had previously sold the practice to Medivet, the existing lead vet of the practice or another vet either from the practice or another practice. In some cases there will already be a branch partner in existence and another partner will join the practice.

As further detailed in Medivet's submission to the CMA on 25 January 2023 in response to the s. 109 notice dated 18 January 2023, branch partnership arrangements consist of a vet entering into a partnership agreement with Medivet whereby:

- a) the vet acquires equity in the partnership – the level of equity varies but it is typically in the range [X] and not more than 50%; Medivet holds the rest of the equity. [X];
- b) pursuant to a partnership agreement, the vet and Medivet share the costs and profits of the practice in proportion with their profit share percentages;
- c) [X];
- d) [X]; and
- e) [X].

Medivet frequently enters into branch partnerships and entering into individual branch partnerships does not impact the viability of the Medivet business. In fact, Medivet's branch partner practices [X]. Further, Medivet has over 400 practices, so that a single partnership agreement can only have a negligible effect on the viability of the entire Medivet business.

Moreover, Medivet submits that if a branch partnership is entered into in relation to a Medivet site located outside the catchment area (reflecting where 80% of the Parties' customers are located) of a Target Entity, there is no way in which entering into this partnership arrangement with a vet could prejudice a CMA reference or impede the taking of any action which may be justified by the CMA's decision on a reference to any further extent than prior to the imposition of the Order.

The CMA grants this derogation from 4(b) and 5(e) of the Initial Orders strictly on the basis that:

- a) The CMA's written approval, including via email, is required before any new branch partnership is entered into.

- b) In case Medivet proposes to enter into a new branch partnership, Medivet will provide the CMA, in advance and in writing, with the following information:
- i. An overview of the proposed branch partnership;
  - ii. The proposed branch partnership agreement;
  - iii. An analysis of whether the site falls within a relevant catchment area, as defined in [X],<sup>1</sup> of any of the Target Entities;
  - iv. An analysis of whether the site falls within the relevant catchment area, as defined in [X], of any of the Medivet Sites which conceivably overlap,<sup>2</sup> as defined in [X], with any of the Target Entities;
  - v. Whether the proposed Partnership site overlaps with either the Target Entity or Medivet site in the relevant catchment for each i) FOPSA, ii) any form of small animal out of hours service, and iii) small animal referral services;
  - vi. If the site is part of a hub-and-spoke arrangement that falls within a relevant catchment area, list the sites in this arrangement and state whether they are hubs or spokes; and
  - vii. If the site would foreseeably share staff with any Medivet sites or Target Entities sites that fall within a relevant catchment area, list these sites.
- c) These derogations will not result in any disruption to, or impact the viability of the Medivet business or the Target Entities businesses.
- d) This derogation will not prejudice a CMA reference or impede the taking of any action which may be justified by the CMA's decision on a reference.

Yours sincerely

[X]

---

<sup>1</sup> Consistent with the [X], relevant catchments have been calculated as the largest of: (i) the Site's individual catchment area drivetime; (ii) the average of all the Target Sites within a transaction, or for Medivet, the average of the Medivet Sites within its sub-group, where a sub-group is defined by all the Medivet Sites which conceivably overlap with any Sites in the same transaction; (iii) the same as (ii) but excluding any Sites which offer referrals; (iv) the same as (ii) but excluding any Sites which offer referrals or are a Hospital; (v) the same as (ii) but excluding any Sites which offer referrals, are a Hospital or are a hub.

<sup>2</sup> Consistent with the [X], conceivable overlap refers to the largest site-specific Target Entity 80% customer location catchment area plus a buffer of 5-minutes drivetime.

Faye Fullalove

Assistant Director

Mergers

24 February 2023