

Completed acquisitions by Medivet Group Limited of multiple independent veterinary businesses

Summary of the CMA's findings

ME/7022/22, ME/7046-7051/23, ME/7053/23, ME/7055-7060/23

SUMMARY

The Parties and the Mergers

1. These decisions relate to the completed purchases by Medivet Group Limited (**Medivet**) of the following independent veterinary businesses (the **Targets**) (the **Mergers**) between 27 September 2021 and 1 September 2022:
 - (a) All Creatures Clinic Limited (**All Creatures**);
 - (b) Barton Companion Animal Services Limited (**Barton**);
 - (c) I T Kalogera (Holdings) Limited, including its subsidiary I T Kalogera Limited (t/a Brockwell Vets) (**Brockwell Vets**);
 - (d) The assets and business of the veterinary practice under the name 'Caddy Veterinary Surgery/Practice' (**Caddy Country**);
 - (e) Canine Healthcare Limited (t/a Vet Value) (**Canine Healthcare**);
 - (f) E Street Limited (t/a Elizabeth Street Veterinary Clinic) (**Elizabeth Street**);
 - (g) Ferring Street Vets Limited (**Ferring Street**);
 - (h) Fitzalan House Veterinary Practice Limited (**Fitzalan House**);
 - (i) The Hackney Vet Ltd (**The Hackney Vet**);
 - (j) The assets and business of the veterinary practice under the name The Hollies (**The Hollies**);

- (k) The assets and business of the veterinary practice under the name Iffley Vets (**Iffley Vets**);
 - (l) The Oxford Cat Clinic Limited (**Oxford Cat Clinic**);
 - (m) The assets and businesses of the veterinary practices under the name The Vet on Richmond Hill & The Vet in St Margaret's (**The Vet on Richmond Hill & St Margaret's**);
 - (n) The Vet Station Limited (**The Vet Station**); and
 - (o) Withy Grove Veterinary Clinic Limited (**Withy Grove**).
2. Each of the Mergers is considered as a separate relevant merger situation.
 3. Medivet is a large multinational veterinary group ultimately controlled by private equity firm CVC Capital Partners. Each of the Targets are independent veterinary practices located in areas across England and Northern Ireland. They all supply first opinion veterinary services to small animals and some supply out of hours (**OOH**) services to small animals. Medivet and the Targets are together referred to as the **Parties**.

CMA jurisdiction

4. The Competition and Markets Authority (**CMA**) has jurisdiction to review a merger where either (a) the target company generates more than £70 million of turnover in the UK (the turnover test); or (b) the merger results in the parties having a share of supply of goods or services of any description in the UK (or in a substantial part of the UK) of 25% or more, and the merger results in an increment to the share of supply (the share of supply test).
5. None of the Targets have sufficient revenue to satisfy the turnover test, but the CMA found that, in relation to each Merger, Medivet and the relevant Target supply more than 25% of Small Animal Services (as defined at paragraph 11 below) in the local areas where they overlap, and that an increment in the share of supply is brought about by the Merger in each instance.
6. Further, the CMA found that each of the relevant local areas constituted a substantial part of the UK. Consistent with recent CMA merger decisions, the CMA concluded that those local areas with a population above 100,000 people constitute a substantial part of the UK on this basis alone. Where the population of a relevant local area was below 100,000, in line with the relevant case law, the CMA considered whether the local area could nonetheless constitute a substantial part of the UK on the basis of factors including the

social, political, economic and geographic significance of the area, and ultimately concluded in each case that the relevant local area also constituted a substantial part of the UK.

7. Finally, a completed merger must have taken place, with material facts being given to the CMA or made public, not more than four months before a reference is made. The CMA found that Medivet did not make the material facts of these Mergers public when it acquired each of the Targets. As such, the four-month period to refer the Mergers started only when the CMA became aware of material facts in September 2022 (and was extended due to Medivet's delay in responding to certain CMA requests for information).

Counterfactual

8. The CMA assesses whether a merger could lead to a substantial lessening of competition (**SLC**) relative to the competitive situation without the merger (the **counterfactual**).
9. The CMA considers the prevailing conditions of competition to be the relevant counterfactual for all but one of the Mergers. For The Hollies, the Target was closed about the same time as Medivet's acquisition and in light of compelling evidence regarding the former vendor's ability to continue operating the practice, and the lack of alternative possible purchasers, the CMA considers that the counterfactual for that Merger should be based on a scenario in which The Hollies would have closed absent the Merger.

Frame of reference

10. The CMA considered whether the Mergers would lead to a loss of competition between Medivet and the Targets in each of the local areas where they are based. To do so, the CMA considered how their services overlap, which meant focussing its analysis on the most significant competitive alternatives available to the customers of the Parties.
11. The CMA considered the impact of the Mergers in relation to small animal veterinary services provided on a commercial basis during daytime hours (**Small Animal Services**), and OOH veterinary services to small animals provided on a business to consumer basis (**Small Animal OOH Services**).

Competitive assessment

12. As competition between veterinary practices, including those operated by Medivet and each of the Targets, generally takes place at the local level, the CMA conducted a local area analysis to identify specific areas within which to

analyse whether the relevant Mergers gave rise to a realistic prospect of an SLC.

Small Animal Services

13. The CMA assessed Medivet's acquisitions of each of the Targets in relation to the supply of Small Animal Services.
14. The CMA based its local analysis on average catchment areas for veterinary sites (reflecting where 80% of the relevant Parties' customers are located). The CMA calculated market shares in these catchment areas using the number of full-time equivalent (**FTE**) vets working at the sites in each catchment area. While there is no single measure that can capture every aspect of competition in a market, the CMA considers that the number of FTE vets providing Small Animal Services from a site is reflective of the level of demand at that site and its competitive strength.
15. Consistent with previous cases in the vet industry, the CMA considered that competition concerns would arise in any local area where Medivet and the relevant Target overlap and have a combined share of supply of 30% or more. The threshold chosen for determining whether competition concerns arise is a case-by-case assessment, taking into account all the facts and circumstances of a given case. In these cases, the CMA determined that a combined 30% share threshold is appropriate to identify areas in which there is a realistic prospect of an SLC arising. This reflects, in particular, the weak nature of out-of-market constraints (from other types of practices operating in the local area) in these cases, as well as the absence of probative evidence (for example from a consumer survey or previous CMA analysis of the sector) that has been used to support higher thresholds in previous cases in other industries.
16. On this basis, the CMA considers that in relation to Small Animal Services, there is a realistic prospect of an SLC in 34 local areas, arising from Medivet's 12 acquisitions of All Creatures, Barton, Brockwell Vets, Caddy Country, Elizabeth Street, Ferring Street, Fitzalan House, The Hackney Vet, Iffley Vets, Oxford Cat Clinic, The Vet on Richmond Hill & St Margarets, and The Vet Station.

Small Animal OOH Services

17. The CMA assessed Medivet's acquisitions of Caddy Country, Elizabeth Street and Iffley Vets in relation to the supply of Small Animal OOH Services.
18. It was not possible for Medivet to provide specific data on drivetime catchment areas in relation to the provision of OOH services for all sites, particularly the

Target sites. In light of the limited data available, the CMA used a filter (based on a combined share of 30%) to filter out from consideration any areas which did not raise competition concerns, and then conducted a more detailed assessment of any remaining areas of concern that failed this filter.

19. The CMA based its local analysis on catchment areas derived from both the average drivetime of Medivet's own OOH sites (for sites offering OOH services to more than just their own Small Animal Services customers), and the average catchment area used in the CMA's Small Animal Services analysis.
20. The CMA calculated market shares in each of these catchment areas using a share of sites. The CMA considered share of sites the most appropriate measure of market shares because reliable FTE data was not available, noting as well that the CMA did not identify significant FTE variation between sites.
21. Due to the high combined shares of supply in five local areas, and evidence indicating that alternative suppliers are unlikely to exert a sufficient constraint on Medivet and the relevant Targets, the CMA considers that in relation to Small Animal OOH Services, there is a realistic prospect of an SLC in five local areas, arising from Medivet's acquisitions of Elizabeth Street and Iffley Vets.

Conclusion

22. As set out above, the CMA considers that it is or may be the case that 12 of the Mergers have resulted, or may be expected to result, in a realistic prospect of an SLC, as a result of horizontal unilateral effects in relation to the supply of Small Animal Services and/or Small Animal OOH Services.
23. The CMA is therefore considering whether to accept undertakings under section 73 of the Enterprise Act 2002 (the **Act**). Medivet has until 25 May 2023 to offer undertakings to the CMA that might be accepted by the CMA. If no such undertakings are offered, then the CMA will refer the Mergers pursuant to section 22(1) of the Act.