

ANTICIPATED ACQUISITION BY BIDVEST GROUP (UK) PLC OF CITRON HYGIENE GP INC., HYGIENE HOLDINGS INC. AND HYGIENE LTIP INC.

Decision on relevant merger situation and substantial lessening of competition

ME 7111/24

The Competition and Markets Authority (**CMA**)’s decision on relevant merger situation and substantial lessening of competition under section 33(1) of the Enterprise Act 2002 (the **Act**) given on 6 March 2025. Full text of the decision published on 4 February 2025.

The CMA has excluded from this published version of the decision information which the CMA considers should be excluded having regard to the three considerations set out in section 244 of the Act (specified information: considerations relevant to disclosure). The omissions are indicated by [§<]. Some numbers have been replaced by a range, which are shown in square brackets.

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SUMMARY

OVERVIEW OF THE CMA'S DECISION

1. The CMA has found that the acquisition by The Bidvest Group Limited (**Bidvest**) (through its subsidiary The Bidvest Group (UK) PLC (**Bidvest UK**)) of Citron Hygiene GP Inc., Hygiene Holdings Inc. and Hygiene LTIP Inc. (collectively **Citron**) from Birch Hill Equity Partners (**Birch Hill**), is a relevant merger situation that does not give rise to a realistic prospect of a substantial lessening of competition (**SLC**) as a result of horizontal unilateral effects in the supply of washroom services (including waste disposal) to customers in the UK.
2. Bidvest agreed to acquire Citron pursuant to a share purchase agreement dated 3 July 2024 (the **Merger**). Bidvest, phs Group (**phs**), Birch Hill and Citron are together referred to as the **Parties** and, for statements relating to the future, Bidvest, phs and Citron are together referred to as the **Merged Entity**.

Who are the businesses and what products/services do they provide?

3. Citron and Bidvest (via its UK subsidiaries Bidvest Noonan and phs) provide, amongst other things, hygiene and washroom services across the UK.
4. Hygiene and washroom services encompass a variety of activities including the supply and installation of dispensers (eg for odour remediation), replacing commodity products (such as toilet paper and soap) and waste collection (including feminine hygiene units and nappy bins). The Parties provide these services to any washrooms away from homes in public, office and industrial buildings.
5. The CMA focused its investigation on the supply of washroom services across the UK, including both at a national and multi-regional level, as well as at a local and regional level. National and multi-regional customers are typically businesses such as banks and grocery stores that have multiple locations across the UK, and which generally rely on a single supplier that supplies washroom services across all their outlets. Local and regional customers have a single or small number of outlets, generally close to each other in a single or small number of regions and so do not require suppliers to have multi-regional or national capabilities.

Why did the CMA review this merger?

6. The CMA's primary duty is to seek to promote competition for the benefit of consumers. It has a duty to investigate mergers that could raise competition concerns in the UK, provided it has jurisdiction to do so. In this case, the CMA has concluded that it has jurisdiction to review this Merger because a relevant merger

situation has been created as each of Bidvest and Citron is an enterprise and the share of supply test is met.

What evidence has the CMA looked at?

7. In assessing this Merger, the CMA considered a wide range of evidence in the round.
8. The CMA received several submissions and responses to information requests from the Parties.
9. The CMA also examined the Parties' internal documents, which show how they run their businesses and how they view their rivals in the ordinary course of business. Internal documents were also relevant in understanding Birch Hill's plans for the Citron business in the UK absent the Merger.
10. The CMA also spoke to and gathered evidence from other market participants to understand better the competitive landscape for washroom services and to get their views on the impact of the Merger.

What did the evidence tell the CMA...

...about what would have happened had the Merger not taken place?

11. In order to determine the impact that the Merger could have on competition, the CMA has considered what would have happened had the Merger not taken place. This is known as the counterfactual.
12. The Parties told the CMA that Birch Hill and Citron decided in June 2023 to exit the market for national and multi-regional washroom services in the UK. While Citron continues to service some national and multi-regional contracts it entered into before June 2023, it has not bid for any new contracts since that date, no longer has a national sales team and has exited a significant number of contracts (and is no longer listed as a supplier on major public frameworks such as Eastern Shires Purchasing Organisation (**ESPO**)). The number of customers that Citron services in this market has therefore fallen significantly since June 2023.
13. Given that Citron is still servicing some national and multi-regional contracts, the CMA does not consider that Citron has fully exited the market. However, the CMA considered whether, absent the Merger, Citron would have continued to wind down its national and multi-regional accounts business and ultimately exit. The CMA's exiting firm test at phase 1 requires it to consider two limbs:
 - (a) Whether, absent the Merger, it is inevitable that Citron would have exited the market; and

- (b) Whether, absent the Merger, there would be an alternative, less anticompetitive purchaser for Citron, than Bidvest.
14. The CMA examined Birch Hill and Citron's internal documents and spoke to its external advisers and third parties. The CMA found that despite a period of investment and efforts to restructure the Citron UK business, the national and multi-regional business was persistently not profitable for Citron and the decision to exit was taken to address the financial situation the Citron Group was in, independent of the Merger. The CMA also considers that the steps Citron has already taken to exit are significant and would be both difficult and costly to reverse. On this basis, the CMA considers that, had the Merger not gone ahead, Citron would have continued to implement its exit from the national and multi-regional market.
15. Further, Birch Hill and its financial advisor ran a sales process for the Citron UK business, and there was no other buyer interested in purchasing the Citron UK business. As such, the CMA considers that there was no realistic prospect of an alternative, less anti-competitive purchaser for the business than Bidvest.
16. The CMA therefore considers that, had the Merger not gone ahead, Citron would have exited the national and multi-regional market and, in the future, the Parties would not have competed for national and multi-regional washroom services customers. On this basis the CMA found that the Merger would not lead to an SLC due to horizontal unilateral effects in the supply of washroom services to national and multi-regional washroom services customers in the UK.
17. The CMA did not find any reasons to depart from the prevailing conditions of competition as the relevant counterfactual in other (local and regional) markets in the UK.

...about the effects on competition of the Merger?

18. The CMA looked at whether the Merger would lead to an SLC due to horizontal unilateral effects in the supply of washroom services (including waste disposal) to local and regional customers.
19. After assessing the Parties' data and speaking to third parties, the CMA found that following the Merger, at least four competing suppliers would remain (in addition to the Merged Entity) in each local area and region in which the Parties overlapped pre-Merger. Third parties told the CMA that there are many smaller local and regional providers (in addition to the Parties) that provide a credible and high-quality service to customers in the locations where they are active. As a result, the CMA found that no competition concerns arise in any local areas or regions.

20. The CMA therefore considers that the Merger does not give rise to a realistic prospect of an SLC.

What happens next?

21. The Merger will therefore **not be referred** under section 33(1) of the Act.

ASSESSMENT

1. PARTIES, MERGER AND MERGER RATIONALE

22. Bidvest is a business-to-business trading, distribution and services company that is headquartered in South Africa.¹ In the UK, Bidvest operates via Bidvest Noonan and phs. Bidvest Noonan provides general facilities management services. With regards to hygiene services, phs primarily operates through phs Washrooms, phs Floorcare and phs Healthcare.² The turnover of Bidvest in 2023 was approximately £5.4 billion worldwide and approximately £[REDACTED] in the UK.³
23. The target business comprises Citron Hygiene GP Inc., Hygiene Holdings Inc. and Hygiene LTIP Inc., which is active in the supply of hygiene services in the UK under the Citron Hygiene brand (**Citron UK**).⁴ Citron is ultimately owned by Birch Hill, a private equity firm headquartered in Canada.⁵ The turnover of Citron in 2023 was approximately £[REDACTED] worldwide and approximately £[REDACTED] in the UK.⁶
24. Bidvest (through its subsidiary Bidvest UK) has agreed to acquire the entire share capital of each of Citron Hygiene GP Inc., Hygiene Holdings Inc. and Hygiene LTIP Inc. pursuant to a share purchase agreement (**SPA**) dated 3 July 2024.⁷ The Merger is conditional on CMA approval.⁸
25. Bidvest submitted that the main strategic rationale for the Merger is to expand its geographic presence in the US and Canada. Bidvest submitted that the acquisition of Citron's UK business is not a key part of the rationale for the Merger, and did not drive the acquisition.⁹
26. The CMA considers that the Parties' internal documents support this rationale to an extent. In particular:
- (a) Bidvest's '[REDACTED]' board pack from June 2024 presented to Bidvest's Acquisition Committee, discusses Citron's North American business first before discussing the UK market, and views North America as representing '[REDACTED]' that can '[REDACTED]'.¹⁰ However, the document also notes 'significant cost savings synergies in the UK' and refers to a '[REDACTED]'.¹¹ Furthermore, while the majority of

¹ Final Merger Notice submitted to the CMA on 7 January 2025 (**FMN**), paragraph 2.

² FMN, paragraphs 3–5.

³ FMN, Table 6.A.

⁴ FMN, paragraphs 1 and 8.

⁵ FMN, paragraph 7.

⁶ FMN, Table 6.B.

⁷ FMN, paragraphs 2.17–2.18; Parties' internal document, Annex 001 to the FMN, 'Signed Share Purchase Agreement', 3 July 2024.

⁸ FMN, paragraph 2.20.

⁹ FMN, paragraphs 13–14.

¹⁰ Bidvest's internal document, Annex 007 to the FMN, '[REDACTED]', 14 June 2024, pages 7 and 21.

¹¹ Bidvest's internal document, Annex 007 to the FMN, '[REDACTED]', 14 June 2024, page 21.

the valuation for Citron relates to the North American business, the UK synergy benefit is described as being ‘a [redacted] significant proportion of the value of the transaction’, with Citron UK representing CAD[redacted] of the CAD[redacted] overall enterprise value for the transaction (ie just over [redacted]% of the valuation).¹²

- (b) The Parties have been in correspondence regarding a potential sale of Citron since at least the end of 2020. Generally speaking, that correspondence does not specify that Bidvest’s interest relates primarily to Citron’s activities in North America but refers to Bidvest’s interest in Citron as a whole.
- (c) Birch Hill’s annual review of its investment in Citron from November 2023 notes that phs/Bidvest appeared to be ‘more excited about a potential platform sale (vs the UK on a standalone basis)’. Nonetheless it also notes that phs/Bidvest were still ‘[redacted]’.¹³

27. Birch Hill submitted that it had been unable to reach a sufficient scale for Citron’s UK business to operate profitably following years of continued investment.¹⁴ Therefore, Birch Hill decided to sell the Citron UK business. Initially, Birch Hill approached the market to dispose of just the Citron UK business but in the process of negotiation, Bidvest made an offer for the entire Citron group (ie both the UK and North American businesses).¹⁵ Birch Hill explained that its decision to sell Citron is in line with its normal investment cycle.¹⁶ The CMA considered these points in further detail as part of the Counterfactual assessment below.

2. PROCEDURE

28. The CMA announced the launch of its merger inquiry by notice to the Parties on 9 January 2025. As part of its phase 1 investigation, the CMA gathered a significant volume of evidence from the Parties. In response to targeted information requests, the CMA received and reviewed internal documents from Bidvest, phs, Birch Hill and Citron to understand their respective rationales for the Merger and Citron’s plans for the UK business absent the Merger. The Parties also had opportunities to make submissions and comment on the CMA’s emerging thinking throughout the phase 1 investigation. For example, in February 2025, the CMA invited the Parties to attend an Issues Meeting, and the Parties submitted their views on the CMA’s emerging thinking in writing.
29. The CMA also gathered evidence from other market participants, such as customers and competitors. The evidence the CMA has gathered has been tested

¹² Bidvest’s internal document, Annex 007 to the FMN, ‘[redacted]’, 14 June 2024, pages 31 and 35.

¹³ Birch Hill’s Internal Document, Annex 019 to the FMN, ‘[redacted]’, 27 November 2023, page 11.

¹⁴ FMN, paragraph 14.19.

¹⁵ FMN, paragraph 2.27.

¹⁶ FMN, paragraph 2.49.

rigorously, and the context in which the evidence was produced has been considered when deciding how much weight to give it. Where relevant, this evidence has been referred to within this Decision.

30. The Merger was considered at a Case Review Meeting.¹⁷

3. JURISDICTION

31. Each of Bidvest and Citron is an enterprise. As a result of the Merger, these enterprises will cease to be distinct.
32. The Parties overlap in the supply of washroom services (including waste disposal) to national and multi-regional customers in the UK,¹⁸ with a combined share of supply of [60-70]% (with an increment of [5-10]%) by value in 2023.^{19, 20} At least one of the Parties has UK turnover exceeding £10 million.²¹ The CMA therefore believes that the share of supply test in section 23 of the Act is met.
33. On this basis, the CMA believes that it is or may be the case that arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation.
34. The initial period for consideration of the Merger under section 34ZA(3) of the Act started on 10 January 2025 and the statutory 40 working day deadline for a decision is therefore 6 March 2025.

4. BACKGROUND AND NATURE OF COMPETITION

35. The Parties overlap in the supply of washroom services across the UK.
36. Washroom services encompass a variety of activities including the supply and installation of dispensers (eg for odour remediation), replacing commodity products (such as toilet paper and soap) and waste collection (including feminine hygiene units and nappy bins).²² This can be to any washrooms away from homes in public, office and industrial buildings.²³

¹⁷ [CMA2](#), page 47.

¹⁸ See paragraph 78(b) below.

¹⁹ CMA estimates based on the Parties' and their competitors' data. Citron's activity in this market is discussed in further detail in the Counterfactual section of this Decision.

²⁰ The Parties also submitted that they have a combined share of supply of over 25% in the supply of washroom services to regional and local customers (FMN, paragraph 5.3).

²¹ See paragraph 23 above. As of 1 January 2025, the Act has been amended to include section 23(2)(c) that 'the value of the turnover in the United Kingdom of: (i) the enterprise being taken over, or (ii) any other enterprise concerned, exceeds £10 million'.

²² FMN, paragraph 11.4. There are seven essential service lines to maintain a typical washroom: cubical hygiene; toilet tissue; hand drying; vending & other; handwashing; odour remediation; and waste disposal.

²³ FMN, paragraph 11.4. A washroom is defined as a room or space with washing and toilet facilities (also known as a bathroom, restroom or toilet).

37. Washroom service suppliers generally operate on a depot or branch model, with a fleet of vans that supply washroom services to customers in the catchment of each local branch, which stocks consumables and supplies. Washroom service staff travel along routes to visit multiple customer sites per day, replenishing and servicing customer washrooms. Larger providers have more vehicles and more branches.²⁴ Both Parties operate this depot system, allowing them to operate in multiple regions across the UK. Suppliers can also engage with subcontractors to supply services in areas where they do not have a depot.²⁵
38. In view of this supplier model, supplier profitability is driven by maximising both the number of sites visited on each route and the number of services provided at each stop, while minimising travel time between stops. This means that suppliers tend to earn higher margins if they:
- (a) sell a wide range of services to their customers;
 - (b) have a high density of customers in their areas of operation; and/or
 - (c) have branches in close proximity to their customers.²⁶
39. The Parties provide washroom services to the following customer types:²⁷
- (a) End customers that purchase the Parties' services directly for their own premises;
 - (b) Facilities management (**FM**) customers that outsource washroom services to washroom service suppliers and combine these with other facilities services to supply an integrated FM service at third-party premises; and
 - (c) Public and private framework customers. Framework customers are buying groups that negotiate broad agreements with service providers on behalf of end customers. End customers still contract directly with a service provider but benefit from predetermined prices and minimum services levels set by the framework. Public frameworks (eg ESPO and the North Western Universities Purchasing Consortium (**NWUPC**)) are open to public sector organisations such as local councils, schools, and NHS Trusts. Private frameworks typically create a buyer group for independent local businesses (often pubs and smaller retailers).²⁸
40. Customers can procure services in a variety of ways, including through tender processes, bilateral negotiations, and framework agreements.²⁹ While price is the

²⁴ FMN, paragraph 11.5.

²⁵ FMN, paragraph 2.16.

²⁶ FMN, paragraph 11.5.

²⁷ FMN, paragraph 11.6.

²⁸ FMN, paragraph 11.7.

²⁹ FMN, paragraph 14.70.

main parameter of competition across all customer types,³⁰ other parameters include service reliability, brand reputation, and (particularly for FM customers) centralised invoicing.³¹

41. A portion of Citron's UK business was acquired from Rentokil in October 2019 as a divestment package following Rentokil Initial plc's acquisition of Cannon Hygiene Limited.³² This included contracts for the supply of washroom waste disposal services to national and multi-regional customers and framework accounts as well as local and regional customers.³³ As set out in further detail below, the requirements of national customers (ie customers located in 11 or 12 regions of the UK) are similar to those of multi-regional customers (ie customers located in eight or more regions). On the other hand, local and regional customers have comparatively simpler service requirements than national and multi-regional customers.³⁴

5. COUNTERFACTUAL

42. The CMA assesses a merger's impact relative to the situation that would prevail absent the merger (ie the counterfactual).³⁵ In an anticipated merger, the counterfactual may consist of the prevailing conditions of competition, or conditions of competition that involve stronger or weaker competition between the parties to a merger than under the prevailing conditions of competition.³⁶ In determining the appropriate counterfactual, the CMA will generally focus on potential changes to the prevailing conditions of competition only where there are reasons to believe that those changes would make a material difference to its competitive assessment.³⁷
43. The Parties submitted that the CMA should assess the competitive effects of the Merger against the prevailing conditions of competition, which include that Citron currently imposes no competitive constraint on phs for the supply of washroom services (including waste disposal) to national and multi-regional customers. The Parties submitted that Citron exited this market in June 2023 due to the low-to-negative profitability of these contracts and has not competed for these types of contracts since that time. The Parties did not argue that Citron would exit the supply of washroom services in the UK altogether absent the Merger, but rather that Citron would continue to transition to a more profitable and sustainable local

³⁰ FMN, paragraph 14.127; Response to the CMA questionnaire from a number of third parties, January 2025, question 4.

³¹ FMN, paragraph 14.132(a). Note of a call with a third party, November 2024, paragraph 14.

³² [Completed acquisition by Rentokil Initial plc of Cannon Hygiene Limited](#), [ME/6734/18] (*Rentokil/Cannon*).

³³ FMN, paragraph 2.12.

³⁴ See the Market Definition section for further detail on the market for the supply of washroom services (including waste disposal) to national and multi-regional customers on a UK-wide basis, as distinct from the market for the supply of washroom services (including waste disposal) to local and regional customers.

³⁵ [CMA129](#), paragraph 3.1.

³⁶ [CMA129](#), paragraph 3.2.

³⁷ [CMA129](#), paragraph 3.9.

and regional business having exited the supply of national and multi-regional contracts.³⁸

44. The CMA has therefore first considered whether Citron has already exited the supply of washroom services (including waste disposal) to national and multi-regional customers.

5.1 Has Citron exited the market?

5.1.1 Citron's and Birch Hill's submissions

45. Birch Hill submitted that Citron first expanded into washroom services in the UK in 2019 via the acquisition of 1st Class Hygiene in May 2019 and the *Rentokil/Cannon* divestment package in October 2019, and while it recognised that the business would initially be unprofitable (particularly due to unprofitable national accounts), the plan was to grow the UK business to increase route density to allow overhead costs to scale, resulting in a profitable business.³⁹
46. From 2018 until 2023, Birch Hill submitted that it invested approximately £[§<] (including the initial cost of acquisition) to grow Citron's UK business and build route density, which it considered would lower marginal costs and allow Citron UK to profitably serve national accounts.⁴⁰ Birch Hill submitted that despite this investment Citron UK was not able to add a sufficient volume of contracts to build the density required to service national accounts profitably and external funding was required for the business to remain viable.⁴¹ Birch Hill submitted that by the end of 2022, it determined that measures to grow the UK business to achieve scale had been unsuccessful and made the decision to cease funding Citron's UK business.⁴²
47. During the first half of 2023, Citron submitted that it attempted to restructure its UK business operations to profitability, including by (i) refocusing its sales strategy on local accounts with better pricing; (ii) attempting to re-negotiate loss-making contracts with national customers; and (iii) undertaking various cost reduction measures including re-optimising driver routes, closing sites and cost savings in finance and IT.⁴³

³⁸ FMN, paragraphs 10.3–10.6.

³⁹ FMN, paragraphs 14.8; Parties' submission to the CMA, 'Case ME_7111_24 - IM Briefing Paper - dated 31 Jan 2025 - CONFIDENTIAL.pdf', (**Briefing Paper**), 31 January 2025, paragraphs 3.5 and 3.6.

⁴⁰ Briefing Paper, paragraph 3.8. This included investment in building a sales team and related infrastructure to accelerate organic growth and acquiring regional washroom businesses. FMN, paragraph 14.2.

⁴¹ FMN, paragraph 14.8(d).

⁴² FMN, paragraph 14.8(e).

⁴³ FMN, paragraph 14.8(f).

48. Citron submitted that while the restructuring activities reduced losses, they were not sufficient to return the business to profitability.⁴⁴ As a result, and reflecting that national and multi-regional accounts were responsible for most of Citron's losses and the inability to improve the profitability of these loss-making accounts, Citron decided in June 2023 to exit this market segment by no longer competing for national and multi-regional end-customer and framework supplier contracts and allowing existing contracts to expire (the **Exit Decision**).⁴⁵ There are no formal minutes confirming the Exit Decision, as Citron's Board Meetings were suspended in October 2022 (and not subsequently resumed).⁴⁶ However, Citron submitted that as a result of this decision, it (i) has not bid for any national or multi-regional contracts since June 2023, and (ii) made five out of six members of the national and multi-regional sales team redundant in June 2023, with the sixth and last member (retained to transition certain relationships) leaving the company at the end of Q1 2024.⁴⁷
49. As regards national and multi-regional washroom services contracts entered into prior to the Exit Decision, Citron submitted that it is continuing to service those customers and intends to exit these contracts during a transition period in order to minimise the impact on both Citron and the relevant customers, and to adhere to covenants in the SPA.⁴⁸ Citron submitted that the number of national and multi-regional end-customer accounts being serviced by Citron has already fallen significantly since June 2023, and that a large number of the remaining accounts are past their initial contract period and are being serviced on a month-to-month basis via rolling contracts.⁴⁹

5.1.2 CMA's Assessment

50. While Citron's data indicates that it has not bid for any new national and multi-regional contracts since June 2023,⁵⁰ Citron continues to service existing contracts (including on a rolling month-to-month basis following contract expiry). Although Citron submitted that this is to preserve continuity of service as well as to adhere to covenants in the SPA, the CMA considers that this means Citron is currently still active in the market. This continued presence in the supply of washroom services to national and multi-regional contracts is also reflected in the marketing material for the sale of the UK business shared with select bidders in October 2023.⁵¹ Third-party evidence also indicates that any exit by Citron is not widely known in the industry; while none of the third parties that the CMA has spoken to during the course of its investigation mentioned that Citron had recently bid for a national or

⁴⁴ FMN, paragraph 14.20.

⁴⁵ FMN, figure 14.A and paragraphs 14.8(g) and 14.42. Briefing Paper, paragraph 3.17.

⁴⁶ FMN, paragraphs 14.8(g) and 14.42–14.46; Briefing Paper, paragraph 3.20.

⁴⁷ Briefing Paper, paragraph 3.19(a).

⁴⁸ FMN, paragraphs 14.48–14.49, and 14.52.

⁴⁹ FMN, paragraphs 14.51–14.52.

⁵⁰ CMA analysis of Parties' response to the CMA's RFI5, Annex 108, '[><]', Sheets (Citron data).

⁵¹ Birch Hill's Internal Document, Annex 008 to the FMN, '[><]', October 2023, slide 4.

multi-regional contract, only two mentioned that Citron had explicitly declined to bid for such a contract, and none appeared to be aware of a long-term exit plan.⁵²

51. The CMA therefore considers that Citron has not, to date, fully exited the market for the supply of washroom services (including waste disposal) to national and multi-regional customers. On this basis, the CMA has also considered whether, in any event, Citron *would have* exited this market absent the Merger (the **exiting firm counterfactual**).⁵³ In considering whether Citron would have exited absent the Merger, the CMA has applied the exiting firm counterfactual framework set out in its mergers guidance.⁵⁴

5.2 Exiting firm counterfactual

52. For the CMA to accept an exiting firm counterfactual at phase 1, it must believe, based on compelling evidence, that it is inevitable that, absent the merger:
- (a) the firm would have exited the relevant market (through failure or otherwise) (**Limb 1**); and
 - (b) there would not have been an alternative, less anti-competitive purchaser for the firm or its assets to the acquirer in question (**Limb 2**).⁵⁵
53. The exiting firm scenario is most commonly considered when one of the firms is said to be failing financially. However, exit may also be for other reasons, for example because the target firm's corporate strategy has changed.⁵⁶
54. The CMA will only take into account events that would have happened in the absence of the merger under review, and are not a consequence of it.⁵⁷
55. Therefore, in assessing the relevant counterfactual, the CMA has considered whether there is compelling evidence that, absent the Merger, it is inevitable that (i) Citron would exit the market for the supply of washroom services (including waste disposal) to national and multi-regional customers in the UK and (ii) there would not have been an alternative, less anti-competitive purchaser for Citron's national and multi-regional accounts business. The CMA also considered the potential impact of the Merger on any decision to exit.

⁵² Response to the CMA questionnaire from a third party, January 2025, Question 3; Response to the CMA questionnaire from a third party, January 2025, Question 7.

⁵³ The CMA may assess an exiting firm counterfactual of its own accord, even when it is not put forward by the parties.

⁵⁴ [CMA129](#), paragraphs 3.21 and 3.23.

⁵⁵ [CMA129](#), paragraphs 3.21 and 3.23.

⁵⁶ [CMA129](#), paragraph 3.29.

⁵⁷ [CMA129](#), paragraph 3.4.

5.2.1 Limb 1: Absent the Merger, is it inevitable that Citron would have exited?

56. As outlined above, Citron submitted that, given continued operating losses and the failed attempt to build a profitable national/multi-regional accounts business following a period of significant investment and attempts to restructure the business, in June 2023 the business took the decision to abandon its national account strategy and no longer compete for national and multi-regional contracts (which were determined to be the key cause of losses) and to instead pursue a strategy focused on servicing regional and local accounts.⁵⁸
57. Overall, based on the available evidence, for the reasons set out below, the CMA considers that Birch Hill and Citron had made the strategic decision for Citron to exit the national and multi-regional accounts segment and would have continued to transition to become a regional/local supplier absent the Merger.
58. There is no formal record of the Exit Decision in June 2023, since (as recorded in contemporaneous internal documents)⁵⁹ Citron's Board Meetings were suspended in October 2022, and not subsequently resumed. However, the steps taken by Citron after June 2023 are consistent with a strategy of exiting the national and multi-regional market. In particular:
- (a) As noted in paragraph 48 above, Citron made five out of six members of the 'Major Accounts' team (focused on national and multi-regional sales) redundant in June 2023, with the sixth and last member leaving the company at the end of Q1 2024. This decision is reflected in Citron's contemporaneous internal documents.⁶⁰ Third parties active in the national and multi-regional washroom services market told the CMA that a specialised sales team such as the 'Major Accounts' team is required to bid for and manage national customer accounts.⁶¹
 - (b) Citron has not bid for any national and multi-regional customer accounts since June 2023,⁶² including major opportunities such as [redacted] (despite being approached).⁶³ Citron also chose not to bid for the ESPO framework agreement in April 2024, after having been removed in March 2023 [redacted].⁶⁴ The earliest that Citron would be able to retender for ESPO is in 2027.⁶⁵ Birch Hill submitted that Citron was also removed from the Yorkshire

⁵⁸ Briefing Paper, paragraphs 3.16–3.17.

⁵⁹ FMN, footnote 155; Birch Hill's Internal Document, Annex CBH-00000290 to the FMN, '[redacted]', October 2022, page 1. Birch Hill's Internal Document, Annex CBH-00000299 to the FMN, '[redacted]', October 2022, page 1.

⁶⁰ Birch Hill's Internal Document, Annex CBH-00000275 to the FMN, '[redacted]', 19 June 2023, pages 1–2; Bidvest's Internal Document, Annex 033 to the FMN, '[redacted]', April 2023, [redacted].

⁶¹ Note of a call with a third party, October 2024, paragraphs 6–8; FMN, paragraph 29(a).

⁶² Birch Hill's response to the Issues Letter, 6 February 2025, slide 5.

⁶³ Response to the CMA questionnaire from a third party, January 2025, question 7.

⁶⁴ FMN, paragraphs, 28 and 14.47. ESPO is a buying organisation which includes a variety of local authorities, schools, hospitals, charities and other organisations across the UK, owned and governed by Leicestershire, Norfolk, Lincolnshire, Cambridgeshire, Warwickshire and Peterborough City Councils.

⁶⁵ FMN, paragraphs, 29, 14.104 and 14.47.

Purchasing Organization (**YPO**) as of April 2024,⁶⁶ and will be removed from [REDACTED] when they expire in [REDACTED].⁶⁷

- (c) Since June 2023, Citron has exited [30-40]% of its national and multi-regional contracts.⁶⁸ The remaining contracts are still within their initial term or are being serviced on a month-to-month basis via rolling contracts. Where contracts have expired and the customer has sought to negotiate a new contract or extend the original term, Citron has refused.⁶⁹

59. As to the motivation for the exit, the evidence shows that in the five-year period leading to the Exit Decision Birch Hill was unable to grow the Citron UK business as expected and was making significant operating losses supplying national and multi-regional customers despite investment and attempts to restructure the business. In particular:

- (a) Citron's 2019 business plan from the time of the *Rentokil/Cannon* divestment package acquisition (the **Business Plan**) anticipated rapid scaling of national and regional accounts, with each segment forecasted to grow at compounded annual growth rates of [5-10]% and [5-10]%, respectively. Despite significant investment however, reported revenues only increased from £[REDACTED] in 2018 to £[REDACTED] in 2022, (approximately [50-60]% below the revenues projected in the Business Plan), and Citron generated consistent operating losses in this 2018-2022 period (totalling approximately £[REDACTED]).⁷⁰
- (b) Citron submitted that as a result of these operating losses, [REDACTED],⁷¹ [REDACTED]. As Birch Hill was also unwilling to deploy additional equity capital into Citron's UK business, urgent action was required to restructure the business towards profitability.⁷² Some of the restructuring efforts included (i) re-routing the entire UK business, resulting in a ~20% reduction of technicians and vehicles; (ii) consolidating the UK real estate footprint; (iii) reducing sales spend; and (iv) attempting to re-negotiate 'loss-making' contracts (many of which were with national customers).⁷³
- (c) Birch Hill and Citron's contemporaneous internal documents support the submission (outlined in paragraphs 46 to 48 above) that while restructuring efforts helped to improve Citron UK's financial position, the business

⁶⁶ FMN, paragraphs 29, 31 and 14.51.

⁶⁷ Birch Hill's response to the Issues Letter, 6 February 2025, slide 5.

⁶⁸ Briefing Paper, paragraph 3.41.

⁶⁹ FMN, paragraphs 14.51–1.52; Birch Hill's response to the Issues Letter, 6 February 2025, slide 19.

⁷⁰ Briefing Paper, paragraph 3.6–3.9.

⁷¹ Birch Hill's Internal Document, Annex 148 to the FMN, '[REDACTED]', 7 February 2023, pages 1–5. Birch Hill's Internal Document, Annex 149 to the FMN, '[REDACTED]', 10 May 2023, pages 1–5; and Birch Hill's Internal Document, Annex 150 to the FMN, '[REDACTED]', 15 August 2023, pages 1–5.

⁷² Briefing Paper, paragraph 3.10.

⁷³ FMN, paragraph 14.8(f); Briefing Paper, paragraph 3.10.

continued to be unprofitable overall.⁷⁴ Contemporaneous internal documents also frequently refer to the national and multi-regional segment as particularly challenging in terms of profitability,⁷⁵ and show that national customers were resistant to attempted price increases by Citron, in many case leading to customer churn.⁷⁶ This is consistent with evidence received from third party customers that price is the main parameter of competition.⁷⁷ Citron provided evidence to support that as at 31 March 2024, national and multi-regional accounts represented [60-70]% of Citron's overall annual stops, but only [30-40]% of annual contracted revenues, making the overall business loss making.⁷⁸

- (d) Financial analysis provided by Citron and reviewed by the CMA estimates that following the 2023 restructuring, national and multi-regional accounts generated on average ~£[redacted] of operating losses per stop, while local and regional accounts generated operating profits per stop of ~£[redacted].⁷⁹ This confirms that Citron's national and multi-regional accounts were still significantly loss-making.

60. This context supports Birch Hills' submission that the Exit Decision was intended to address the financial situation the Citron Group was in, irrespective of the Merger.⁸⁰

61. As regards whether the Exit Decision was motivated by the Merger, in reviewing the Parties' internal documents, the CMA identified some documents that showed that (i) Bidvest had communicated its interest in a potential acquisition of the broader Citron business to Birch Hill on a number of occasions prior to the Exit Decision;⁸¹ and (ii) Citron recognised that a divestment of the UK business to a strategic buyer (like Bidvest/phs) could raise merger control concerns in relation to the supply of washroom services (including waste disposal) to national and multi-regional customers.⁸² Therefore, the CMA assessed in detail the rationale for the

⁷⁴ Birch Hill's Internal Document, Annex CBH-00000039 to the FMN, '[redacted]', 25 April 2023, slide 10; Birch Hill's Internal Document, Annex CBH-00000040 to the FMN, '[redacted]', May 2023, slides 9 and 10; Birch Hill's Internal Document, Annex CBH-00000030 to the FMN, '[redacted]', 6 July 2023, slide 13; Birch Hill's Internal Document, Annex CBH-00000054 to the FMN, '[redacted]', 18 August 2023, slide 13.

⁷⁵ Birch Hill's Internal Document, Annex 024 to the FMN, 6 December 2022, page 6; Birch Hill's Internal Document, Annex CBH-00000114 to the FMN, '[redacted]', October 2022, page 12; Birch Hill's Internal Document, Annex CBH-00000001 to the FMN, '[redacted]', December 2022, slide 7.

⁷⁶ Birch Hill's Internal Document, Annex 018 to the FMN, '[redacted]', July 2023, pages 3–4; Birch Hill's Internal Document, Annex CBH-00000140, '[redacted]', June 2023, slides 2 and 9.

⁷⁷ Response to the CMA questionnaire from a number of third parties, January 2025, question 4.

⁷⁸ Birch Hill's response to the Issues Letter, 6 February 2025, slide 14; Birch Hill's follow-up response to the Issues Meeting, 10 February 2025, paragraph 5.1.

⁷⁹ Birch Hill's follow-up response to the Issues Meeting, 10 February 2025, Table 2.

⁸⁰ Briefing Paper, paragraph 3.42.

⁸¹ Bidvest's Internal Documents, Annex 082 to Annex 103 to the FMN.

⁸² Birch Hill's Internal Document, Annex 017 to the FMN, 6 December 2022, pages 4-5; Birch Hill's Internal Document, Annex 018 to the FMN, '[redacted]', July 2023, page 7; Birch Hill's Internal Document, Annex 019 to the FMN, '[redacted]', 27 November 2023, page 11.

Exit Decision, and whether Citron would have ultimately exited for strategic reasons unrelated to the Merger.⁸³

62. Overall, in view of the available evidence, the CMA considers that the steps Citron has already taken to exit (which were initiated prior to the sales process for the Citron UK business, and a considerable time before any binding agreement with Bidvest) are significant and would be both difficult and costly to reverse. Following a prolonged period of not bidding for new opportunities, and existing contracts expiring, Citron's national and multi-regional contracts are now [X] than pre-June 2023,⁸⁴ and its route density has materially reduced, [X]. Further, to effectively bid for new contracts, Citron would have to rebuild a national accounts team and redevelop a national sales strategy. Accordingly, while it is not possible to exclude that a potential sale of Citron's UK business may have had some influence on Birch Hill's decision making, the CMA considers that the Exit Decision would have been taken in any event, consistent with the need – as reflected in contemporaneous internal documents – to address the consistent operating losses associated with national and multi-regional contracts.
63. The CMA is therefore satisfied that there is compelling evidence that, absent the Merger, it is inevitable that Citron would have continued to exit the national and multi-regional washroom services market.

5.2.2 Limb 2: Absent the Merger, would there be an alternative, less anti-competitive purchaser to Bidvest for Citron?

64. Following the conclusion that Limb 1 of the exiting firm counterfactual is satisfied, the CMA has considered whether there would have been a realistic prospect of an alternative, less anti-competitive purchaser than Bidvest for Citron, that would have continued to compete in the market for the supply of washroom services (including waste disposal) to national and multi-regional customers (Limb 2). In making this assessment, the CMA considered the marketing process for the Citron UK business as well as offers received for it.⁸⁵
65. Citron submitted that, in September 2023, Birch Hill appointed an advisory firm to explore the potential sale of Citron's UK business. In October 2023, the advisory firm reached out to [X] potential buyers based on its knowledge of the sector and discussions with Birch Hill of who might be interested⁸⁶ to test whether there was any interest in acquiring the Citron UK business. Following this initial outreach, only [X] parties expressed early interest and were provided with a teaser document containing additional information on the Citron UK business. [X] subsequently signed an NDA to receive more detailed information, but only

⁸³ CMA129, paragraph 3.29.

⁸⁴ Birch Hill's follow-up response to the Issues Meeting, 10 February 2025, paragraph 4.1.

⁸⁵ CMA129, paragraph 3.30.

⁸⁶ Submission to the CMA from a third party, February 2025, sheet 1.

Bidvest decided to make an offer, with the other party declining to bid on the opportunity citing as the reason the fact that Citron's UK business was loss-making.⁸⁷

66. The CMA considers that this is supported by the available evidence, in particular:
- (a) The advisory firm confirmed to the CMA that the [redacted] other parties contacted did not express an interest in acquiring the Citron UK business (with some parties noting the loss-making nature of Citron's operations when confirming their lack of interest).⁸⁸
 - (b) [redacted] that had signed an NDA did not advance discussions since, based on the information received, it perceived Citron UK not to be profitable on a standalone basis.⁸⁹
 - (c) Birch Hill's internal documents from the end of 2022 also note that a financial sponsor was unlikely to be interested in acquiring the business given its weak financial position.⁹⁰
67. The outcome of this sales process, which was assisted by an external advisory firm and resulted in no offers other than from Bidvest, suggests that there was no realistic prospect of an alternative buyer for Citron's UK business. It appears even less likely that there would have been a buyer for Citron's national and multi-regional washroom services business on a standalone basis, given its lower profitability as compared to the broader UK business.⁹¹ The CMA has also not seen any other evidence to suggest that there would have been other potential buyers willing to invest in and continue to run Citron's national and multi-regional washroom services business in the UK.
68. In view of the above, the CMA therefore believes there is compelling evidence that there was no realistic prospect of an alternative, less anti-competitive purchaser than Bidvest absent the Merger.

5.3 Conclusion on the counterfactual

69. The CMA considers that there is compelling evidence that the two limbs of the exiting firm counterfactual are satisfied in this case. In particular, the CMA considers it is inevitable that, absent the Merger, Citron would have exited the market for the supply of washroom services (including waste disposal) to national

⁸⁷ FMN, paragraphs 2.22–2.41.

⁸⁸ Submission to the CMA from a third party, February 2025, page 1; see also Submission to the CMA from a third party, January 2025, page 1.

⁸⁹ Birch Hill's Internal Document, CBH-00000519 to the FMN, '[redacted]', 11 December 2023; Submission to the CMA from a third party, January 2025, page 1.

⁹⁰ Birch Hill's Internal Document, Annex 017 to the FMN, '[redacted]', 6 December 2022, page 5.

⁹¹ Birch Hill's Internal Document, Annex 017 to the FMN, '[redacted]', 6 December 2022, page 5.

and multi-regional customers. The CMA also considers there would not have been an alternative, less anti-competitive purchaser for the exiting business than Bidvest.

70. As a result, the CMA's conclusion on the counterfactual is that the Parties would have ceased to overlap in the market for the supply of washroom services (including waste disposal) to national and multi-regional customers absent the Merger, as Citron would have continued to exit this market.
71. For the remaining markets in which Citron is active, the CMA has not identified any reasons to depart from the prevailing conditions of competition as the relevant counterfactual.

6. COMPETITIVE ASSESSMENT

6.1 Market definition

72. Where the CMA makes an SLC finding, this must be 'within any market or markets in the United Kingdom for goods or services'. An SLC can affect the whole or part of a market or markets. Within that context, the assessment of the relevant market(s) is an analytical tool that forms part of the analysis of the competitive effects of the merger and should not be viewed as a separate exercise.⁹²
73. Market definition involves identifying the most significant competitive alternatives available to customers of the merger parties and includes the sources of competition to the merger parties that are the immediate determinants of the effects of the merger.⁹³
74. While market definition can be an important part of the overall merger assessment process, the CMA's experience is that in most mergers, the evidence gathered as part of the competitive assessment, which will assess the potentially significant constraints on the merger parties' behaviour, captures the competitive dynamics more fully than formal market definition.⁹⁴

⁹² [CMA129](#), paragraph 9.1.

⁹³ [CMA129](#), paragraph 9.2.

⁹⁴ [CMA129](#), paragraph 9.2.

6.1.1 Product market

75. The CMA focused its assessment on the horizontal overlap between the Parties in the supply of washroom services.⁹⁵ The CMA examined whether:
- (a) the product market includes all washroom services, or if waste disposal services form a distinct product market of their own (ie separate to washroom services other than waste disposal); and
 - (b) customers should be segmented according to whether they require supply across many regions in the UK or require supply on a local or regional basis.

6.1.1.1 Parties' submissions

76. In identifying the narrowest relevant product market, the Parties referred to the CMA's *Rentokil/Cannon* investigation, which examined the impact of the merger in relation to the supply of washroom services, with the supply of waste disposal services representing a distinct segment of the market.⁹⁶
77. The Parties submitted that washroom services other than waste disposal should not be considered distinct segments of the market, as suppliers provide the full range of these services using their in-house capabilities and can supply such services during a single visit to a customer site using the same resources (ie the same vehicle and staff).⁹⁷
78. The Parties also submitted that:
- (a) The factors identified by the CMA in *Rentokil/Cannon* in relation to washroom services other than waste disposal continue to apply, namely: (i) there is effective competition from product manufacturers, distributors, and FM companies, in addition to other washroom services providers; (ii) these services can be self-supplied by customers; and (iii) there are no licensing requirements for these services.⁹⁸
 - (b) In *Rentokil/Cannon*, the CMA considered whether the product market should be segmented by customer type and found that: (i) the complexity of servicing an individual customer increases with the number of regions in which the customer requires washroom services; and (ii) the requirements of

⁹⁵ The Parties also overlap in the supply of: (i) healthcare waste collection services to small quantity generators; and (ii) the outsourced supply of mats services in the UK. The Parties are also vertically related in relation to (i) the provision of washroom services to facilities management suppliers; and (ii) the provision of consumables to washroom services providers. On the basis of the evidence gathered by the CMA, including low increments brought about by the Merger and the number of remaining competitors to the Parties, the CMA considered at an early stage in its investigation that there were no plausible competition concerns in these areas, and they are therefore not discussed further in this Decision.

⁹⁶ FMN, paragraphs 12.1–12.2.

⁹⁷ FMN, paragraphs 12.4(a)–12.4(b).

⁹⁸ FMN, paragraphs 12.5 and 12.6. See also Citron's Internal Document, Annex 026 to the FMN, '[§<]', August 2024, pages 1–2.

customers located in 11 or 12 regions of the UK (ie national customers) are similar to those of customers located in eight or more regions (ie multi-regional customers).⁹⁹ As a result, the CMA did not consider it necessary to distinguish between national and multi-regional customers, but did distinguish between those customers and local and regional customers (which have comparatively simpler service requirements).¹⁰⁰

- (c) For ‘nearly all customers with more than [four] employees’ self-supply is not a credible option for waste disposal, as customers producing more than 7kg of offensive waste are required to obtain a licence and adhere to regulation and audit requirements.¹⁰¹

6.1.1.2 CMA’s assessment

6.1.1.2.1 Waste disposal as a part of washroom services

79. The CMA considered whether waste disposal is a distinct segment of the market for washroom services.
80. In *Rentokil/Cannon*, the CMA found that most of the merger parties’ customers purchased waste disposal, and that those customers purchasing waste disposal services often purchased other washroom services, but that the conditions of competition in waste disposal were likely to be different from those in other washroom services.¹⁰²
81. For the purposes of this case, the CMA based its assessment on evidence from third parties and the Parties’ internal documents. The CMA primarily received third-party evidence from the Parties’ national and multi-regional customers and competitors (who supply both national and multi-regional customers and local and regional customers).
82. On the demand-side, the CMA notes that:
- (a) Evidence from third parties indicates that customers purchase, at a minimum, waste disposal services when purchasing washroom services from the Parties and their main competitors, but sometimes combine these with other washroom services. For instance, several customers of the Parties who purchase waste disposal services also purchase hand drying, odour remediation, and washroom vending services.¹⁰³ Even when customers of the Parties put out a single tender for waste disposal services, they told the

⁹⁹ FMN, paragraph 12.7.

¹⁰⁰ FMN, paragraph 12.8.

¹⁰¹ FMN, paragraph 11.19. See also Citron’s internal document, Annex 026 to the FMN, ‘[§<]’, August 2024, pages 1–2.

¹⁰² *Rentokil/Cannon*, paragraph 6.37.

¹⁰³ Response to the CMA questionnaire from a number of third parties, January 2025, question 5.

CMA that there is the potential for the successful supplier to supply other washroom services.¹⁰⁴

- (b) Further, most of the Parties' customers that responded to the CMA's investigation stated that the ability of an operator to offer a range of services is important or very important.¹⁰⁵
- (c) When asked about potential providers of waste disposal services and washroom services other than waste disposal, the majority of customers stated that they consider the same set of suppliers.¹⁰⁶ This indicates that customers consider that a single supplier can offer these services and that conditions of competition for these services are similar.
- (d) No customers that responded to the CMA suggested that they would be able to self-supply waste disposal services. One customer, who exclusively self-supplies all other washroom services, still obtains waste disposal services from one of the Parties.¹⁰⁷ Another customer stated that it could not consider self-supplying waste disposal as it has specific regulatory requirements (see paragraph 78(c) above).¹⁰⁸

83. On the supply-side, the CMA notes that:

- (a) All but one of the Parties' competitors that responded to the CMA's investigation stated that they supply waste disposal services and other washroom services in the regions in which they operate.¹⁰⁹
- (b) One competitor said it did not see a distinction between waste disposal and other washroom services,¹¹⁰ and another said it rarely offers waste disposal as a standalone service.¹¹¹

84. Overall, third-party evidence indicates that waste disposal is typically the core service purchased by customers and that additional washroom services are supplied as supplementary services. This is primarily due to the fact that customers typically have enough employees at a single site to generate sufficient offensive waste that they cannot self-supply waste disposal and must obtain it from a licensed supplier. This is consistent with evidence from suppliers (both for local and regional customers, and national and multi-regional customers).

¹⁰⁴ Response to the CMA questionnaire from a number of third parties, January 2025, question 3.

¹⁰⁵ Response to the CMA questionnaire from a number of third parties, January 2025, question 4.

¹⁰⁶ Response to the CMA questionnaire from a number of third parties, January 2025, questions 7 and 9.

¹⁰⁷ Response to the CMA questionnaire from a third party, January 2025, question 5.

¹⁰⁸ Note of a call with a third party, October 2024, paragraph 11.

¹⁰⁹ Response to the CMA questionnaire from a number of third parties, January 2025, question 2.

¹¹⁰ Response to the CMA questionnaire from a third party, January 2024, questions 5 and 6.

¹¹¹ Response to the CMA questionnaire from a third party, January 2024, question 3.

85. The Parties' internal documents also broadly indicate that waste disposal is the primary washroom service they typically compete on and that the Parties' monitoring of opportunities in the market does not separate waste disposal from other washroom services.¹¹²
86. Overall, the CMA considers it appropriate, based on the available evidence, to assess the Merger in relation to the supply of all washroom services (including waste disposal), with no distinction drawn between waste disposal services and other washroom services.

6.1.1.2.2 *Segmentation by type of customer*

87. In line with the CMA's conclusion in *Rentokil/Cannon*, the CMA considers it appropriate to assess the impact of the Merger separately in relation to (i) multi-regional customers and national customers and (ii) local and regional customers. The CMA did not receive evidence to suggest that it should deviate from the view that customers that require washroom services in eight or more regions of the UK, or nationally, constitute a distinct customer group from local and regional customers.¹¹³
88. All national and multi-regional customers that responded to the CMA as part of its investigation had a single supplier of at least their waste disposal services across the regions of the UK in which they are active.¹¹⁴ While just over half of customers said they would be open to using a combination of multiple local or regional suppliers to provide waste disposal services,¹¹⁵ no customers currently relied on local or regional suppliers for these services. Moreover, just over half of customers stated a preference for a single multi-regional or national supplier due to the ease of administration.¹¹⁶
89. A competitor to the Parties emphasised that customers prefer a single supplier as this leads to a single reporting structure, which makes administration easier.¹¹⁷ One competitor highlighted that there are 'around a hundred or so' suppliers of these services to local and regional customers,¹¹⁸ whereas another competitor

¹¹² Citron documents appear to consider washroom services [§<]. See for instance, Birch Hill's Internal Document, Annex CBH-00000036 to the FMN, '[§<]', 27 July 2023, page 5; see also Birch Hill's Internal Document, Annex CBH-00000376 to the FMN, '[§<]', 15 September 2022, page 5. Similarly, phs documents suggest washroom services are primarily waste disposal services, separating general washroom waste disposal from clinical and offensive waste disposal, given the higher volumes and specialist disposal practices needed for these when compared to traditional washroom services. See for instance, Bidvest's Internal Document, Annex SPR-00000484 to the FMN, '[§<]', 16 February 2023, slide 15.

¹¹³ However, the Parties noted that they do not categorise customers into [§<] customers, as part of their general course of business. FMN, paragraphs 15.9(b) and 15.10(c).

¹¹⁴ Response to the CMA questionnaire from a number of third parties, January 2025, question 4.

¹¹⁵ Response to the CMA questionnaire from a number of third parties, January 2025, question 8.

¹¹⁶ Response to the CMA questionnaire from a number of third parties, January 2025, question 4.

¹¹⁷ Note of a call with a third party, October 2024, paragraph 8.

¹¹⁸ Note of a call with a third party, November 2024, paragraph 13.

identified that the market for national and multi-regional customers has only three major suppliers.¹¹⁹

90. This suggests that national and multi-regional customers have different requirements and experience different conditions of competition for the supply of washroom services compared to local and regional customers.¹²⁰
91. In line with the approach in *Rentokil/Cannon*, the CMA also did not see evidence to suggest that end-customers, FM customers, and public and private frameworks should be defined as separate customer segments within the national and multi-regional customer group.¹²¹
92. Documents submitted by both Bidvest and Citron did not categorise opportunities based on [X]: when examining new business for [X] all opportunities are examined equally. When assessing revenues, it appears that [X] is not made in financial reports, and revenues are mostly discussed by [X].¹²²
93. The CMA therefore considered it appropriate to assess this Merger in relation to washroom services (including waste disposal) to each of (i) national and multi-regional customers, and (ii) local and regional customers, with no further distinction drawn between specific customer segments within these two customer groups.¹²³

6.1.2 Geographic market

94. The Parties submitted that, in line with the CMA's conclusion in *Rentokil/Cannon*, the appropriate geographic market for supply of washroom services to national and multi-regional customers is UK wide, as price and service quality for these customers is not likely to be determined by local conditions.¹²⁴ Further, the appropriate geographic market for the supply of washroom services to local and regional customers is at the local and regional level, on the basis that (i) regional sales and operations supply these customers, and (ii) suppliers distinguish between local/regional competitors and national competitors.¹²⁵

¹¹⁹ Note of a call with a third party, November 2024, paragraph 14.

¹²⁰ FMN, paragraph 12.2; see also Birch Hill's Internal Document, Annex CBH-00000001 to the FMN, '[X]', August 2022, slide 7.

¹²¹ In *Rentokil/Cannon*, the CMA did nonetheless find that FM companies tend to be more willing than end-customers to consider multiple suppliers and may have different negotiating strength and a wider set of options available; and that competition for framework customers takes place on two levels (competition to be listed on a framework and competition between suppliers on a framework). In view of these distinctions, the CMA took each customer segment into account separately in its assessment of the Merger.

¹²² Bidvest's Internal Document, Annex SPR-00000674, '[X]', 26 April 2023, slide 4; see also Bidvest's Internal Document, Annex SPR-00001753, '[X]', 5 June 2024, slide 4; see also Birch Hill's Internal Document, Annex CBH-00000001 to the FMN, '[X]', August 2022, slides 7.

¹²³ As noted in the Counterfactual section, the CMA has found that the Merger will not result in an overlap in the supply of washroom services (including waste disposal) to national and multi-regional customers, as a result of Citron's decision to exit.

¹²⁴ FMN, paragraphs 12.10–12.11.

¹²⁵ FMN, paragraphs 12.10–12.11.

95. The CMA did not receive evidence that it should deviate from its approach in *Rentokil/Cannon*.¹²⁶ Therefore, the CMA considers it appropriate to assess the effects of the Merger on the supply of washroom services (including waste disposal) to:

- (a) local and regional customers at a local and regional level; and
- (b) national and multi-regional customers on a UK-wide basis.¹²⁷

6.1.3 Conclusion on market definition

96. For the reasons set out above, the CMA considered that the relevant markets are:

- (a) the supply of washroom services (including waste disposal) to local and regional customers (assessed at a local and regional level); and
- (b) The supply of washroom services (including waste disposal) to national and multi-regional customers on a UK-wide basis.

6.2 Theories of harm

97. The CMA assesses the potential competitive effects of mergers by reference to theories of harm. Theories of harm provide a framework for assessing the effects of a merger and whether or not it could lead to an SLC relative to the counterfactual.¹²⁸

98. Horizontal unilateral effects may arise when one firm merges with a competitor that previously provided a competitive constraint, allowing the merged entity to profitably raise prices or to degrade quality on its own and without needing to coordinate with its rivals.¹²⁹ Horizontal unilateral effects are more likely when the parties to a merger are close competitors.¹³⁰

99. The CMA has considered two theories of harm in this case:

- (a) Horizontal unilateral effects in the supply of washroom services (including waste disposal) to national and multi-regional customers; and

¹²⁶ In *Rentokil/Cannon*, the CMA considered the geographic market for local and regional customers and found that: (i) regional sales teams of Rentokil and Cannon dealt with regional or local customers; (ii) the delivery of washroom services was limited to the local areas around the branches of Rentokil and Cannon; (iii) regional suppliers were identified separately from national suppliers by Rentokil and Cannon; and (iv) regional washroom specialists supplied washroom services broadly at a regional level. As a result, the CMA considered the supply of washroom services to local and regional customers at the regional and local level. *Rentokil/Cannon*, paragraphs 6.94 to 6.102.

¹²⁷ As noted in the Counterfactual section, the CMA has found that the Merger will not result in an overlap in the supply of washroom services (including waste disposal) to national and multi-regional customers, as a result of Citron's decision to exit.

¹²⁸ *CMA129*, paragraph 2.11.

¹²⁹ *CMA129*, paragraph 4.1.

¹³⁰ *CMA129*, paragraph 4.8.

- (b) Horizontal unilateral effects in the supply of washroom services (including waste disposal) to local and regional customers.

6.3 Horizontal unilateral effects in the supply of washroom services (including waste disposal) to national and multi-regional customers

100. As noted in the Counterfactual section, the CMA found that, absent the Merger, Citron would have exited the market for the supply of washroom services (including waste disposal) to national and multi-regional customers.
101. As a result, the CMA considers that the Parties would have ceased to compete for national and multi-regional customers absent the Merger. The CMA's conclusion is therefore that the Merger is not expected to result in an SLC in the supply of washroom services (including waste disposal) to national and multi-regional customers.
102. The rest of this Decision therefore focuses on the supply of washroom services (including waste disposal) to local and regional customers.

6.4 Horizontal unilateral effects in the supply of washroom services (including waste disposal) to local and regional customers

103. In its investigation of this Merger, the CMA has considered whether the Merger may be expected to result in an SLC as a result of horizontal unilateral effects in the supply of washroom services (including waste disposal) to local and regional customers. The concern under this theory of harm is that the removal of one Party as a competitor could allow the Merged Entity to increase prices or deteriorate non-price aspects of its competitive offering in certain local areas or regions.
104. In order to determine the extent of competition at a local level, and in line with its usual practice (and the approach taken in *Rentokil/Cannon*), the CMA has used catchment areas around each of the Parties' depots. These catchment areas have been drawn based on the distance (by drive time) of 80% of phs and Citron's customers from a particular depot (further detail on how these have been calculated is provided below). In line with *Rentokil/Cannon*, competition at a regional level has been assessed using ONS classifications of the 12 UK regions.¹³¹

¹³¹ FMN, footnote 106. The CMA considered the following to be UK regions, based on ONS classifications: Northern Ireland, Scotland, Wales, East Midlands, East of England, London, North East, North West, South East, South West, West Midlands, and Yorkshire and the Humber.

6.4.1 Parties' submissions

105. The Parties submitted that they face competition from a large number of suppliers in each local area and region of the UK in which phs and Citron are active. These include national suppliers competing for local contracts, strong regional suppliers, and a long tail of smaller competitors capable of providing services to local and regional customers.¹³²
106. The Parties submitted analysis of the number of competitors supplying washroom services (including waste disposal) in each local area and each region of the UK in which phs and Citron have a depot. On the basis of this analysis, the Parties submitted that following the Merger, there will be at least four other suppliers remaining in addition to the Merged Entity in (i) each local area, and (ii) each region of the UK, in which phs and Citron have a depot.¹³³
107. The Parties further submitted that:
- (a) the actual number of competitors in each region is likely to be larger, as there are many smaller firms throughout these regions which have not been identified in the Parties' analysis of regional competitors;¹³⁴ and
 - (b) tender data for opportunities and contracts to supply washroom services (including waste disposal) to local and regional customers shows that phs is a weak constraint on Citron (and vice versa).¹³⁵

6.4.2 CMA's assessment

108. The CMA examined the following evidence on local and regional competition in the supply of washroom services (including waste disposal):
- (a) data submitted by the Parties on the number of competitors operating in each local area and region in which phs and Citron have a depot; and
 - (b) evidence from competitors.
109. The CMA examined and verified the Parties' data on the number of competing suppliers in the local areas around each of phs and Citron's depots (defined as catchment areas within which 80% of phs and Citron's customers are located, weighted by annual recurring revenue (**ARR**)). The CMA requested information from the Parties on the size of the catchment area for each depot calculated on

¹³² FMN, paragraph 13.4.

¹³³ FMN, paragraphs 13.8 and 13.5.

¹³⁴ FMN, paragraph 13.5.

¹³⁵ FMN, paragraph 15.7.

both (i) a site-specific basis,¹³⁶ and (ii) a national average basis.¹³⁷ The CMA found that at least four competing suppliers would remain (in addition to the Merged Entity) in each local area around the Parties' depots, regardless of whether each local area was defined on the basis of a site-specific catchment area or a national average catchment area. The CMA considered it appropriate to use a '5 to 4' fascia count decision rule threshold in this case,¹³⁸ and on this basis found that none of the local areas around phs and Citron's depots raised competition concerns.

110. The CMA also examined and verified the Parties' data on the number of competing suppliers in each region of the UK in which phs and Citron have a depot and found that at least four competing suppliers would remain (in addition to the Parties) in each region. As a result, the CMA found that none of the regions in which phs and Citron have a depot raised competition concerns.
111. Competitors told the CMA that there are many local and regional suppliers of washroom services (including waste disposal).¹³⁹ One competitor noted that there are around one hundred smaller local and regional players (in addition to the Parties) that provide a credible and high-quality service.¹⁴⁰ Another competitor noted that there are suppliers that focus on a specific region or smaller area and which try to emphasise the fact that they are 'committed' to a specific region.¹⁴¹ Another competitor noted that most local and regional suppliers belong to the Independent Washroom Services Association (**IWSA**), and that IWSA members are credible suppliers within the local areas in which they operate.¹⁴²

6.4.3 Conclusion on horizontal unilateral effects

112. Based on the evidence set out above, the CMA concluded that the Merger is not expected to result in an SLC in the supply of washroom services (including waste disposal) to local and regional customers.

¹³⁶ Each site-specific catchment area represents the drivetime that encapsulates 80% of the relevant phs or Citron depot's customers by location, weighted by ARR.

¹³⁷ The average catchment area for each of phs and Citron was calculated as a simple average of the site-specific catchment areas of each Party's depots. This resulted in average catchment areas of around 80 minutes for both phs and Citron (see FMN, paragraph 13.7).

¹³⁸ The use of a fascia-count decision rule in this case reflects the difficulty of robustly estimating shares of supply at the local or regional level. The CMA's use of a '5-to-4' fascia count threshold for its decision rule is consistent with the CMA's approach in other local market merger assessments. The CMA considers that a '5-to-4' is appropriate in this case given the market for the supply of washroom services (including waste disposal) to local and regional market is relatively undifferentiated and many local and regional suppliers can credibly compete.

¹³⁹ Note of a call with a third party, October 2024, paragraph 14; Note of a call with a third party, October 2024, paragraph 13.

¹⁴⁰ Note of a call with a third party, November 2024, paragraph 13.

¹⁴¹ Note of a call with a third party, October 2024, paragraph 14.

¹⁴² Note of a call with a third party, October 2024, paragraph 13.

7. ENTRY AND EXPANSION

113. Entry, or expansion of existing firms, can mitigate the initial effect of a merger on competition, and in some cases may mean that there is no SLC. The CMA will consider entry and/or expansion plans of rivals who do so in direct response to the merger as a countervailing measure that could prevent an SLC. In assessing whether entry or expansion might prevent an SLC, the CMA considers whether such entry or expansion would be timely, likely and sufficient.¹⁴³
114. As the CMA has concluded that the Merger does not give rise to competition concerns, it is not necessary to consider countervailing factors further in this Decision.

¹⁴³ [CMA129](#), paragraph 8.31.

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115. Consequently, the CMA does not believe that it is or may be the case that the Merger may be expected to result in an SLC within a market or markets in the United Kingdom.
116. The Merger will therefore not be referred under section 33(1) of the Act.

Naomi Burgoyne
Senior Director, Mergers
Competition and Markets Authority
6 March 2025