

Anticipated acquisition by Associated British Foods plc (through ABF Grain Products Limited) of Hovis Group Limited

Our areas of focus

15 January 2026

ME/7129/25

The reference

1. On 8 January 2026, the Competition and Markets Authority (**CMA**) referred the anticipated acquisition by Associated British Foods plc (**ABF**) (via its wholly owned indirect subsidiary, ABF Grain Products Limited) of Hovis Group Limited (**Hovis**), which is ultimately owned by Endless LLP (**Endless**), to an in-depth phase 2 investigation by a group of CMA panel members (the **Inquiry Group**) under [section 33\(1A\)](#) of the Enterprise Act 2002 (the **Act**).¹
2. The CMA refers to this acquisition as the **Merger**. ABF, Endless and Hovis are together referred to as the **Parties**, and for statements relating to the future where ABF acquires Hovis (if the Merger was to proceed), ABF and Hovis are referred to as the **Merged Entity**.
3. The CMA made the reference having accepted a request by the Parties to use the 'fast-track' procedure provided for in the Act,² which allows for a reference without completion of a phase 1 inquiry.³
4. Under [section 36\(1\)](#) of the Act, we must decide:
 - (a) whether arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation (**RMS**); and

¹ See CMA, [ABF/Hovis Reference Decision](#), 8 January 2026 and CMA, [Terms of reference](#), 8 January 2026.

² Sections 34ZD, 34ZE and 34ZF of the Act, introduced by the Digital Markets, Competition and Consumers Act 2024.

³ The CMA's phase 1 review of the Merger commenced on 22 December 2025, and the CMA referred the Merger for an in-depth phase 2 inquiry on 8 January 2026 (working day 10 of the CMA's phase 1 timetable).

(b) if so, whether the creation of that relevant merger situation may be expected to result in a substantial lessening of competition (**SLC**) within any market or markets in the United Kingdom (**UK**) for goods or services.

Purpose of this document

5. Typically, the starting point of a phase 2 inquiry will be the theories of harm on which the CMA determined at phase 1 that the statutory test for reference was met (and therefore the phase 1 decision should be considered to set out the theories of harm that the CMA will consider, at least initially, in its phase 2 inquiry). Where at the outset of a phase 2 inquiry, there is no detailed phase 1 decision because the case was fast tracked, as is the case here, the CMA will make clear which theories of harm the Inquiry Group intends to investigate.⁴
6. In this document, we set out the main issues that we wish to consider in reaching a decision on the SLC question (paragraph 4(b) above), having had regard to the evidence available to us to date, including the evidence obtained in the CMA's phase 1 inquiry. This does not preclude the consideration of any other issues which may be identified during our inquiry in light of further evidence and/or further analysis.
7. We are publishing this document to assist parties submitting evidence to our phase 2 inquiry. We invite parties to notify us if there are any additional relevant issues which they believe we should consider.

Background

The Parties

8. ABF is a diversified international food, ingredients and retail group, headquartered in London and listed on the London Stock Exchange. ABF's activities are grouped into five business segments: ingredients, sugar, grocery, agriculture and retail. Through Allied Bakeries, its UK bakery business, ABF is active in the manufacture and supply of bread and other bakery products. Allied Bakeries supplies both branded and private label goods and its brands include Kingsmill, Allinson's and Sunblest.
9. Hovis manufactures and supplies branded bread and other bakery products primarily under the Hovis brand and the Mothers Pride brand, as well as private label bread and other bakery products. Since 2020, Hovis has been owned by Endless, a private equity firm headquartered in the UK.

⁴ [Mergers: Guidance on the CMA's jurisdiction and procedure \(19 December 2025\) \(CMA2\)](#), paragraph 12.6.

The Merger

10. On 15 August 2025, ABF (through ABF Grain Products Limited) signed a share purchase agreement to acquire Hovis from Endless.⁵ The Merger is conditional on receiving merger control clearance from the CMA.
11. ABF submitted that the Merger follows its review of a range of strategic options for Allied Bakeries and that profitability at Allied Bakeries has been increasingly challenged in recent years by a decline in demand for pre-sliced, packaged bread and a loss of scale in Allied Bakeries' nationwide distribution network serving the major retailers with daily deliveries of bread and bakery goods.⁶ For similar reasons, Hovis has also been loss-making in recent years.
12. The Parties submitted that by combining the production and distribution activities of both businesses, the Merger will drive significant cost synergies and efficiencies, creating a profitable UK bread and bakery business that is sustainable over the long term.⁷ They submitted that the Merged Entity will be better placed to compete effectively and to establish a stable platform for product innovation in the segments of the UK bakery category that are growing as a result of changing consumer tastes and needs. This will include improvement in existing products and expansion into new product ranges.

Our inquiry

13. Below we set out the main issues we are likely to consider in our phase 2 inquiry in order to help parties who wish to make representations to us.

Jurisdiction

14. We will consider whether arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a RMS.⁸
15. The Parties have submitted that there is a RMS because:
 - (a) each of ABF and Hovis is an enterprise. As a result of the Merger, these enterprises will cease to be distinct; and
 - (b) the UK turnover of Hovis exceeds £100 million in its 2024 financial year, so the turnover test in [section 23\(1\)\(b\)](#) of the Act is satisfied.⁹

⁵ Parties, Final Merger Notice (FMN), 18 December 2025, paragraph 2.1.

⁶ See: ABF, [ABF to acquire Hovis Group, following review of strategic options for Allied Bakeries](#), 15 August 2025.

⁷ FMN, paragraph 2.

⁸ See sections [23](#) and [24](#) of the Act.

⁹ FMN, paragraphs 5.1-5.3.

Counterfactual

16. We will compare the prospects for competition with the Merger against the competitive situation without the Merger. The latter is called the ‘counterfactual’. The counterfactual is not a statutory test but rather an analytical tool used in answering the question of whether a merger gives rise to an SLC.¹⁰ At phase 2, we will form a view as to the most likely conditions of competition absent the Merger.¹¹
17. The counterfactual may consist of the prevailing conditions of competition, or conditions of competition that involve stronger or weaker competition between the merger firms than under the prevailing conditions of competition.¹² The appropriate counterfactual may therefore increase or reduce the prospects of an SLC finding.¹³ In some cases, the counterfactual may involve one of the merger firms exiting the market where they currently compete (through failure or otherwise).
18. As noted in paragraph 11 above, each of Allied Bakeries and Hovis has been loss-making in recent years and ABF submitted that the Merger follows its review of a range of strategic options for Allied Bakeries.¹⁴ The counterfactual assessment will be a central focus of our inquiry and we shall consider whether either ABF or Hovis would exit the market absent the Merger. Our analysis will be informed by the Parties’ submissions and their internal documents, financial analysis, and (where relevant) evidence from third parties. We welcome any further evidence on this part of our assessment.

Assessment of the competitive effects of the Merger

Market definition

19. Where the CMA makes an SLC finding, this must be ‘within any market or markets in the United Kingdom for goods or services’.¹⁵ The CMA is therefore required to identify the market or markets within which an SLC may arise. An SLC can affect the whole or part of a market or markets. Within that context, the assessment of the relevant market is an analytical tool that forms part of the analysis of the competitive effects of a merger and should not be viewed as a separate exercise.¹⁶

¹⁰ [Merger Assessment Guidelines \(March 2021\) \(CMA129\)](#), paragraph 3.1.

¹¹ [CMA129](#), paragraph 3.13.

¹² [CMA129](#), paragraph 3.2.

¹³ [CMA129](#), paragraph 3.2.

¹⁴ See ABF, [Annual Report 2025](#), page 7; and Hovis, [Annual Report and financial statement for the 52 weeks ending 28 September 2024](#), page 18.

¹⁵ [Section 36\(1\)\(b\)](#) of the Act.

¹⁶ [CMA129](#), paragraph 9.1.

20. In assessing whether a merger may give rise to an SLC, we may take into account constraints on merging parties from outside the relevant market, segmentation within the relevant market, or other ways in which some constraints are more important than others. We will take these factors into account in our competitive assessment.¹⁷
21. The Parties overlap in the supply of plant bread¹⁸ and other bakery products (such as fruit bread and pancakes) in the UK:
 - (a) In plant bread, we will consider whether there is a single relevant market for all plant bread, or whether there should be segmentation either (i) by type of plant bread (eg white bread, brown bread, sourdough etc) and/or (ii) between private label and branded plant bread.
 - (b) In other bakery products in which the Parties overlap, we will consider whether it is appropriate to treat each of (i) muffins; (ii) hot cross buns; (iii) fruit bread; (iv) potato farls; (v) soda farls; and (v) pancakes as a distinct product market, or whether several types of bakery products form part of a wider market (eg on the basis of demand- or supply-side substitution).¹⁹
22. In terms of geographic scope, we will consider whether each of Great Britain (**GB**) and Northern Ireland (**NI**) is a distinct market, or whether either forms part of a broader market, including whether NI is part of a wider Island of Ireland market.

Theories of harm

23. The term ‘theory of harm’ refers to a hypothesis about how the process of rivalry could be harmed as a result of a merger. Theories of harm provide a framework for assessing the competitive effects of a merger and whether or not it could lead to an SLC relative to the counterfactual.²⁰
24. At phase 2, we are minded to focus our competitive assessment on the prospects for the Merger to result in horizontal unilateral effects within a market or markets in the UK.
25. Unilateral effects can arise in a horizontal merger when one firm merges with a competitor that previously provided a competitive constraint, allowing the merged entity profitably to raise prices or degrade non-price aspects of its competitive offering (such as quality, range, service and innovation) on its own and without needing to coordinate with its rivals. Unilateral effects giving rise to an SLC can

¹⁷ [CMA129](#), paragraph 9.4.

¹⁸ Pre-sliced wrapped bread manufactured in large scale bakeries is commonly referred to as ‘plant bread’. See FMN, paragraph 13.

¹⁹ The Parties also overlap in crumpets and teacakes. However, we do not intend to focus on these areas in phase 2 due to the low combined shares of supply held by the Parties and the alternatives available to customers (FMN, Table 25 and Table 26).

²⁰ [CMA129](#), paragraph 2.11.

occur in relation to customers at any level of a supply chain, for example at a wholesale level or retail level (or both) and are not limited to end consumers.²¹

26. When assessing whether a merger may give rise to an SLC as a result of horizontal unilateral effects, the CMA's main consideration is whether there are sufficient remaining good alternatives to constrain the merged entity post-merger.²²
27. Subject to the questions on market definition outlined above, we currently consider that the relevant markets in which such effects could arise would include plant bread in GB and NI, as well as markets for a number of bakery products including muffins, fruit bread, and hot cross buns in GB, and potato farls, soda farls, and pancakes in NI.²³
28. The theories of harm we consider and the relevant markets in which they could arise may evolve during the inquiry, and we may identify new theories of harm following receipt of additional evidence or following further analysis. Should any party have a reason to believe that we should investigate any other theories of harm, it should inform us and provide a reasoned submission.

How we propose to investigate the competitive impact of the Merger in the relevant market(s)

29. As part of our inquiry, we will use the data and information collected during the phase 1 inquiry and seek to expand this evidence base as appropriate.
30. Amongst other factors, we will consider the market structure and position of the Parties and their competitors in the relevant markets, including in terms of their shares of supply and available capacities; the extent to which the Parties compete closely; the competitive constraint from other suppliers; the role of national grocery retailers in shaping competition between suppliers; and the wider structural trends facing the industry.
31. We are mindful that the Merger has the potential to impact the supply of key grocery staples for consumers in the UK, and particularly for vulnerable consumers on low incomes. As part of our assessment, we will consider the potential effects of the Merger on this group of consumers, as well as its implications for the security of supply of such products.

²¹ [CMA129](#), paragraph 4.1.

²² [CMA129](#), paragraph 4.3.

²³ The Parties also overlap in pancakes and potato farls in GB, as well as muffins, fruit bread and hot cross buns in NI. However, we do not intend to focus on these areas in phase 2 due to the low combined shares of supply held by the Parties and the alternatives available to customers (FMN, Table 25 and Table 26).

Countervailing factors

32. We will consider whether there are countervailing factors which could prevent an SLC. Some of the evidence that is relevant to the assessment of countervailing factors may also be relevant to our competitive assessment.
33. We will consider evidence of the prospects of entry and/or expansion by third parties triggered by the Merger and whether any such entry and/or expansion would be timely, likely and sufficient to prevent an SLC from arising as a result of the Merger.²⁴ We will also consider evidence on the countervailing buyer power of national grocery retailers.
34. Further, we will consider any relevant evidence submitted to us by the Parties that the Merger is likely to give rise to efficiencies that will enhance rivalry in the relevant market(s), such that the Merger may not be expected to result in an SLC.²⁵

Possible remedies and relevant customer benefits

35. Should we conclude that the Merger may be expected to result in an SLC within one or more markets in the UK, we will consider whether, and if so, what remedies might be appropriate.
36. In any consideration of possible remedies, we may have regard to their effect on any relevant customer benefits that might be expected to arise as a result of the Merger and, if so, what these benefits are likely to be and which customers would likely benefit.²⁶

Responses to this document

37. Any party wishing to respond to this document should do so in writing, no later than **5pm on Wednesday 28 January 2026** by emailing ABFGrainProducts.Hovis@cma.gov.uk.

²⁴ [CMA129](#), paragraphs 8.28-8.46.

²⁵ In order to reach a view that such efficiencies prevent an SLC, the CMA must be satisfied that the evidence shows that that the merger efficiencies: (a) enhance rivalry in the supply of those products where an SLC may otherwise arise; (b) are timely, likely and sufficient to prevent an SLC from arising; (c) are merger-specific; and (d) benefit customers in the UK ([CMA129](#), paragraph 8.8).

²⁶ [Merger remedies \(19 December 2025\) \(CMA87\)](#), paragraphs 3.4 and 3.27-3.36.