

Case ME/7129/25

ANTICIPATED ACQUISITION BY ASSOCIATED BRITISH FOODS PLC
(THROUGH ABF GRAIN PRODUCTS LIMITED)
OF HOVIS GROUP LIMITED

Parties' response to the CMA's Areas of Focus document

1 INTRODUCTION

- 1.1 This document sets out the Parties' comments on the CMA's Areas of Focus document issued on 15 January 2026.
- 1.2 The Parties agree that the counterfactual should be a "central focus" of the CMA's inquiry.¹ The Parties also agree that the CMA will need to form a view as to the most likely conditions of competition absent the Transaction.² As set out in the CMA's Merger Assessment Guidelines, at Phase 2 the legal test the CMA is required to apply is to consider what are the most "*likely*" conditions of competition absent the Transaction.
- 1.3 In the context of this case, the plant bread industry has been financially challenged for a number of years, as the CMA itself has recognised³ and demand for plant bread continues to decline⁴, creating a highly challenging environment. Recent bakery closures (e.g. Rathbones), insolvencies (e.g. Roberts) and more generally the losses being suffered by a number of plant bread manufacturers demonstrate that the industry is challenging and a number of manufacturers – including AB and Hovis – are not on a sustainable footing.
- 1.4 Against this background, the relevant counterfactual is one in which, absent the Transaction, ABF [X] will exit the market. In particular, the exiting firm counterfactual is fulfilled because the most likely outcome, absent the Transaction is that:
- 1.4.1 AB will have exited (Limb 1); and
- 1.4.2 there would not have been any alternative, less-anti-competitive purchaser of AB or its assets (Limb 2).
- 1.5 The Parties do not submit that Hovis meets the exiting firm counterfactual.
- 1.6 However, Hovis' financial position is also relevant to the CMA's analysis of the counterfactual. Hovis has faced increasingly challenging financial circumstances in recent years. [X].
- 1.7 The Parties have structured their response as follows:
- 1.7.1 the relevant counterfactual against which the Transaction should be assessed and why the exiting firm counterfactual is met in this case;
- 1.7.2 the reasons why the Transaction delivers better outcomes for consumers than the exit counterfactual;
- 1.7.3 in the alternative, 1) the reasons why the Transaction will not give rise to a substantial lessening of competition in any relevant product market in GB; and 2) the reasons why the Transaction will not give rise to a substantial lessening of competition in any relevant product market in relation to NI.

¹ Areas of Focus document, paragraph 18.

² Areas of Focus document, paragraph 16.

³ Price Inflation and Competition in Food and Grocery Manufacturing and Supply (November 2023) report and Competition, Choice and Rising Prices in Groceries (July 2023) report.

⁴ OC&C Report, Annex **ABF006150**.

1.8 In light of the circumstances described below and the ongoing losses being suffered by both AB and Hovis, [REDACTED] the Inquiry Group is respectfully requested to reach a clearance decision as early as possible.

2 EXECUTIVE SUMMARY

The exiting firm criteria are met for AB

Limb 1: AB will exit⁵

2.1 Allied Bakeries (“AB”) operates in both GB and NI. It has lost in excess of c.£[REDACTED]m over the last 14 years. Its most recent losses for FY24/25 were c.£[REDACTED]m. ABF’s Senior Executive Team and the Divisional Lead have concluded that AB’s position will not materially improve in coming years given both the structural difficulties it faces (see further below) and the decline in demand for plant bread which is also forecast to continue over coming years.⁶

2.2 Although AB’s parent company, ABF plc, bore these losses for a number of years, whilst various restructuring initiatives were pursued to try and address AB’s position⁷, the ABF Board [REDACTED]. The ABF Board’s position [REDACTED].

2.3 Further, [REDACTED], the board minutes reflect a clear message given to [REDACTED]. The Board minutes further reflect [REDACTED]. As explained further in section 3.10 - 3.32 below, [REDACTED].

2.4 Following the [REDACTED] board meeting, and in a desire to leave no stone unturned, ABF commissioned [REDACTED].⁸ [REDACTED].⁹

2.5 [REDACTED].

2.6 ABF’s senior executive team sought to pursue the Transaction and engaged with Endless [REDACTED].

2.7 In the context of budgeting/ planning for [REDACTED], ABF’s Senior Executive Team discussed the position with [REDACTED].

2.8 Accordingly, in the event that the Transaction does not proceed, a decision has been taken by ABF that [REDACTED].¹⁰ [REDACTED] AB will “ultimately no longer be able to operate”.¹¹

2.9 [REDACTED]. In conclusion, Limb 1 of the exiting firm counterfactual is met: **the most likely scenario in the absence of the Transaction is that ABF [REDACTED] will exit the market.**

Limb 2: There is no less anti-competitive purchaser¹²

2.10 The second limb of the exiting firm counterfactual is met, i.e. there is no alternative less anti-competitive purchaser for AB or its assets.

2.11 ABF did not explore a formal sale process for AB because AB has a long history of significant losses (in excess of c.£[REDACTED]m over the last [REDACTED] years and more recently averaging c.£[REDACTED]m per year). ABF considered that [REDACTED].¹³ [REDACTED].

⁵ See Limb 1 analysis at FMN, paragraphs 10.36 – 10.57.

⁶ OC&C Report, Annex **ABF006150**.

⁷ See further, the chronology attached at **Annex 6** to the FMN summarising the position since 2019. See further section 3.10 below which provides an overview of the options.

⁸ Slide deck page number 36, document [REDACTED].

⁹ Slide deck page numbers 31-37, document [REDACTED].

¹⁰ See the [REDACTED] ABF Board minute ([REDACTED]) and [REDACTED] ABF Board minute ([REDACTED]).

¹¹ See ABF’s “[REDACTED]” update at **Annex 219**.

¹² See Limb 2 analysis at FMN, paragraphs 10.58 – 10.66.

¹³ [REDACTED].

2.12 The only possible buyer is one with existing scale in manufacturing and distribution. ABF is firmly of the view that: 1) no-one could run AB more efficiently than ABF/ AB; and 2) the only way to achieve scale is a combination with Hovis, i.e. no other combination of bakery businesses would generate sufficient synergies.¹⁴

2.13 [REDACTED].¹⁵ Accordingly, there is no less anti-competitive purchaser.

[REDACTED]

2.14 Whilst the above analysis focuses on the position for [REDACTED], in the event ABF [REDACTED], in light of AB [REDACTED] operations recording a small profit (i.e. c.£[REDACTED]m) and [REDACTED]. ABF has kept the CMA informed of developments in this regard. [REDACTED].

The Transaction will generate substantial cost synergies

2.15 The Transaction will combine AB and Hovis and give rise to substantial synergies of [REDACTED] per year, arising primarily from optimising AB and Hovis’ production footprint and consolidating their distribution operations. Unlike most other grocery products, the major retailers (Tesco, Sainsbury’s, Asda and the Co-op) require bread to be delivered direct to store (“DTS”) 6-7 days per week across their entire store networks. This requires a supplier to maximise efficiency through having production capacity in the right place with the right level of logistics infrastructure to support DTS distribution.

2.16 By way of context, as demand has declined, this has produced substantial excess capacity, resulting in site closures and the need to frequently re-planning logistics routes/ operations. This has resulted in high distribution costs – a significant proportion of which are now fixed - as AB has reached a tipping point and cannot reduce costs of its distribution network without jeopardising its GB-wide coverage, which in turn would mean it is unable to supply the Grocery Multiples on a DTS basis. High distribution costs for consistently decreasing volumes (and a higher proportion of lower margin private label volumes) is a major cause of AB’s losses. As explained further in sections 3.44 - 3.48, the Transaction will allow AB to address these challenges as the combination of AB and Hovis’ operations will generate [REDACTED] of logistics savings and [REDACTED] of manufacturing savings.¹⁶

2.17 As a result, the Transaction will put the combined business on a stable footing and create a sustainable platform going forward.

The Transaction delivers better outcomes for consumers than the exit counterfactual

2.18 Although the CMA is not required to formally determine whether the Transaction produces a better outcome for consumers than the exit counterfactual, the Transaction delivers materially better outcomes for consumers. Post-merger, ABF has strong commercial incentives to retain and utilise capacity in order to scale the business, increase volumes and realise efficiencies. By contrast, AB’s exit would remove a significant amount of manufacturing capacity from the market, creating a structural shortfall that existing suppliers could not fully absorb. [REDACTED] analysis indicates that [REDACTED].

2.19 The Transaction also preserves retailers’ bargaining power, which is a key competitive discipline in the plant bread market. In the current and post-merger environment, excess capacity means retailers retain credible outside options and can constrain manufacturers through volume switching, shelf-space reallocation or delisting. Under the exit counterfactual, [REDACTED].

2.20 Finally, the Transaction creates a financially resilient platform that enables investment, innovation and wider consumer benefits that would not arise under exit. Planned investment

¹⁴ Whilst a Transaction with Warburtons would also achieve scale in manufacturing and distribution, it would not be less anti-competitive than the Transaction.

¹⁵ See paragraph 7.2 in relation to AB’s operations in Northern Ireland.

¹⁶ See AB’s Transaction synergies plan at Annex [REDACTED].

of around £[X] million will support new product development aligned with evolving consumer preferences, [X] and will strengthen dynamic competition by enabling the merged entity to compete more effectively with the market leader (Warburtons) in terms of product development, quality and price.¹⁷ The Transaction also ensures greater stability and continuity of supply of essential staple goods, mitigating the price and availability risks associated with capacity loss. It will also generate significant environmental benefits through the more efficient use of the Parties' bakery capacities and distribution networks (with savings estimated of some [X]m road miles per year equating to a reduction of c. [X] tonnes of carbon per year).

The Parties' views on relevant markets

- 2.21 The conditions of competition in GB differ from those in NI and as such the relevant geographic frame of reference is GB (see further in 5.3). NI either forms part of an overall island of Ireland market or alternatively the major ROI players (Brennans and Gallaghers who already have a share of c. 16.7% in NI) impose a significant outside market competitive constraint on the Parties (see further in 6.1 - 6.3).
- 2.22 As to product market, there is a single relevant market for all plant bread. This comprises all types of bread (e.g. white, brown) and both branded and private label bread. Similarly, there is a single relevant market for all morning goods.¹⁸

The Transaction will not give rise to a substantial lessening of competition in GB in any of the relevant product markets identified by the CMA

Plant bread – GB

- 2.23 As set out in further detail in sections 5.4 - 5.7 below, the Transaction will not give rise to an SLC in the supply of plant bread in GB. The Parties' combined share from sales of Hovis and Kingsmill is less than [20-30%] by volume (and less than [40-50]% when considering share of manufacturing, i.e. taking into account the Parties' supplies of private label plant bread products). AB's Kingsmill brand is no longer a meaningful competitive constraint (its share having fallen to [5-10%]).
- 2.24 The Parties will continue to face significant constraints from Warburtons, the largest supplier of plant bread in GB (c.29%), as well as from other branded and private label suppliers, including Jacksons, Roberts, Braces, Jason's (Geary's) and Fine Lady Bakeries. The Parties' biggest customers, the Grocery Multiples, are also the Parties' biggest competitors.
- 2.25 The Grocery Multiples will continue to act as gatekeepers, controlling the allocation of shelf space and product placement. The Grocery Multiples have, for example, increased shelf space for private label products and in a number of cases have changed their strategy as to the number of brands stocked (e.g. the recent Tesco delisting of Kingsmill). A number of major retailers now operate a single brand approach (e.g. Co-op (Warburtons), Waitrose (Hovis), Iceland (Warburtons outside London)). In a category so heavily reliant on sales in the retail channel, the Grocery Multiples will continue to be able to exercise a significant constraint through their control over the allocation of shelf space. The Grocery Multiples can reduce the amount of shelf space for one of a supplier's products as the Grocery Multiples know full well that by doing this, they can punish those suppliers that deliver DTS as the supplier still needs to incur the cost of delivering all its other products to store (i.e. has to defraying the distribution costs over a smaller volume of products). Further, the Grocery Multiples can re-allocate shelf space to firms willing to offer lower prices. This will not change post-Transaction (particularly given the declining market) and the Grocery Multiples will continue to exercise a significant

¹⁷ See [X] in FMN, paragraphs 16.7 – 16.12.

¹⁸ References to morning goods and individual types of morning goods within this submission are to plant (i.e. wrapped) morning goods.

countervailing buyer power, thereby constraining the merged entity's ability to raise prices or reduce quality.

Morning goods – GB

- 2.26 As set out in further detail in sections 5.17 - 5.30 below, the Transaction will not give rise to an SLC in the supply of morning goods in GB or in respect of any of the individual morning goods (fruit bread, muffins and hot cross buns) identified in the CMA's Areas of Focus document. The Parties' combined share of the supply of all morning goods in GB is no more than [10-20]% (based on share of manufacturing, including both branded and private label products).
- 2.27 The morning goods category in GB is characterised by a high prevalence of private label products, making up over 50% of morning goods volumes. Post-Transaction, the Parties will continue to be constrained by a large number of competing branded and private label suppliers, providing a wide range of morning goods products. When considering each of the specific products identified by the CMA individually, the Parties will similarly continue to be constrained by a number of significant competitors and low barriers to entry.
- 2.28 As with plant bread, Grocery Multiples are again the major purchasers of morning goods and they will continue to exercise significant countervailing buyer power post-Transaction, acting as gatekeepers and controlling the allocation of shelf space instore.

The Transaction will not give rise to a substantial lessening of competition in NI in any of the relevant product markets identified by the CMA

Plant bread – NI

- 2.29 As set out in further detail in sections 6.8 - 6.11 below, the Transaction will not give rise to an SLC in the supply of plant bread in NI. There are a number of significant players, including Irwin's, Brennans and Gallaghers who will continue to act as significant competitive constraints going forward. The major ROI suppliers are readily able to increase supplies into NI and the constraint imposed by the ROI players is reflected by the Parties' modest financial performance. Warburtons, the GB market leader, recently launched in NI. Further, there are low barriers to entry into and expansion in NI for ROI bakers given the limited distance from ROI and the ease of access to consumers given the higher population density in NI than in ROI.
- 2.30 Further, the prominence of the convenience store channel and the distinctive "van sales" distribution model allows smaller regional bakeries to gain access to shelf space more readily and to compete effectively. Similar to the position in GB, the major retailers will continue to exercise significant buyer power post-Transaction, taking advantage of the range of alternative suppliers available to them.

Morning goods – NI

- 2.31 As set out in further detail in sections 6.12 - 6.21 below, the Transaction will not give rise to an SLC in the supply of morning goods in NI or any of the individual morning goods (pancakes, soda farls and potato farls) identified in the CMA's Areas of Focus document. There are a large number of competing suppliers active in the supply of morning goods in NI and low barriers to entry.
- 2.32 In addition, the prominence of the convenience store channel and the distinctive "van sales" distribution model allows regional bakeries to gain access to shelf space and compete effectively.

3 **COUNTERFACTUAL: [X] – THE EXITING FIRM CRITERIA ARE MET**

Limb 1: AB will exit absent the Transaction¹⁹

- 3.1 AB's financial position is fundamentally unsustainable; [REDACTED]; and, as a result, exit is the most likely and indeed only credible counterfactual absent a full merger.

AB's financial position is unsustainable***Context: Market-wide structural pressures***

- 3.2 AB's losses are not the result of inefficiency, short-term shocks or execution failures. They are driven by a combination of adverse market-wide conditions and structural characteristics that together undermine the viability of continued standalone operation.
- 3.3 At the market level, demand for plant bread has been in long-term decline, contracting by around a quarter over the past 20 years and forecast to continue falling at around 1.4% per annum on a volume basis.²⁰ This demand contraction has resulted in persistent excess capacity across the GB market (estimated at around [REDACTED]% of total demand), intensifying competition for shrinking volumes and driving prices towards variable cost.²¹ These conditions are compounded by very strong buyer power on the part of large grocery retailers, who account for the vast majority of sales in the retail plant bread market (c. 92%)²² and are able to resist price increases even in the face of sustained input cost inflation.
- 3.4 Against this backdrop, AB faces a number of challenges. In particular:
- (a) AB operates a nationwide DTS distribution network with very high fixed costs, which must be maintained regardless of volume sold in order to meet retailer service requirements. Distribution costs amount to around [REDACTED] per pack for DTS deliveries,²³ with around [REDACTED]% of these costs being fixed.²⁴ These fixed costs reflect the need to maintain nationwide coverage, dedicated vehicles and drivers, and delivery routes constrained by retailer-imposed time windows, and therefore cannot be materially reduced without fundamentally changing the service proposition. As volumes decline, these largely fixed distribution costs are spread over fewer packs, increasing distribution cost per *unit* and further worsening AB's losses.
 - (b) A weakened brand and reduced listings by customers:
 - (i) AB's branded position has weakened materially over time, with the Kingsmill brand losing approximately [REDACTED] of its market share over the past decade.²⁵ As a result, AB has become increasingly reliant on lower-margin private label ("PL") volumes. PL products now account for c. [REDACTED] of AB's total sales volumes, up from around [REDACTED] in FY20/21.²⁶ These PL volumes generate materially lower variable margins than branded products and therefore contribute significantly less towards AB's fixed costs. The weighted average variable margin on PL products is c. [REDACTED] per pack, compared to c. [REDACTED] per pack for branded products.²⁷ This substantial gap reflects the structural features of PL supply, including retailer control over product specifications, and strong buyer power in negotiations, which constrain AB's ability to retain contribution margins.

¹⁹ See Limb 1 analysis at FMN, paragraphs 10.36 – 10.57.

²⁰ See third party consultants' (OC&C) report available in Frontier Economics AB Financial Model – Data Pack at **Annex 2** to the FMN.

²¹ Frontier Economics AB Economic Narrative paper at **Annex 4** to the FMN, section 2.2.1.

²² Nielsen GB Plant Bread Tracker, 2025.

²³ Frontier analysis of FY24/25 AB volumes and distribution costs.

²⁴ **Annex 4** to the FMN, section 2.2.3.

²⁵ **Annex 4** to the FMN, section 2.2.1.

²⁶ **Annex 4** to the FMN, section 2.2.2.

²⁷ CMA Economist Meeting slide deck, shared on 15 December 2025.

- (ii) These pressures have been compounded by a series of significant customer delistings and contract losses affecting both branded and PL products. In aggregate, AB has lost c. [REDACTED] packs per annum, equivalent to c. [REDACTED] of its FY18/19 volumes.^{28, 29} These delistings have materially reduced AB's scale, accelerating volume decline relative to the market, and further undermining its ability to recover fixed costs.

- 3.5 The combination of these factors, i.e. the declining market, the high cost of operating a DTS distribution model and AB's increasing reliance on private label sales are such that AB is unable to recover its fixed costs on a standalone basis.

AB has suffered persistent and material losses

- 3.6 The financial consequences of these structural pressures are stark. AB has been loss-making [REDACTED], with cumulative operating losses of [REDACTED] over the past 14 years. Over the most recent five-year period alone (FY21–FY25), AB's operating losses have averaged around [REDACTED] per annum.³⁰ For FY24/25, AB recorded an operating loss of c. [REDACTED],³¹ despite having already implemented extensive cost-reduction and efficiency measures.

- 3.7 These aggregate losses reflect persistent losses at the unit level. As shown in Figure 2 of the Economic Narrative Annex to the FMN, AB's average unit costs have consistently exceeded average unit prices, with per-pack losses widening over time as input cost inflation has outpaced AB's ability to secure price increases from customers. Despite achieving some price increases since FY20/21, AB continues to sell the majority of its products at a loss on a per-pack basis ([REDACTED] per pack in FY24/25), indicating that losses are structural rather than transitional.

Scale and magnitude of AB's losses [REDACTED]

- 3.8 The scale, duration and persistence of AB's losses are [REDACTED]. AB is currently losing c. [REDACTED] per week. Forward-looking financial modelling shows that if AB were to continue trading on a standalone basis, it would generate a cumulative net present value ("NPV") loss of approximately [REDACTED] over the period FY25–FY30. [REDACTED].³²

- 3.9 [REDACTED].

There is no realistic way of restructuring AB to return it to profitability absent the Transaction

Options considered and dismissed by AB

- 3.10 ABF and AB (including with input from external consultants) have considered a wide range of potential [REDACTED] options to return AB to profitability.³³ For example:

3.10.1 [REDACTED] considered a "[REDACTED]" model and a "[REDACTED] model".³⁴ [REDACTED].

3.10.2 Various joint ventures were considered [REDACTED].³⁵ [REDACTED].

²⁸ **Annex 4** to the FMN, section 2.2.1.

²⁹ [REDACTED].

³⁰ **Annex 4**, Figure 1.

³¹ AB FY24/25 Financial data. This differs from the [REDACTED] figure cited **Annex 4**, which was based on FY24/25 (6+6) data (i.e. 6 months of actual data and 6 months of forecast data), as ABF has since finalised and released its FY24/25 actual results.

³² [REDACTED].

³³ See FMN **Annex 6** which sets out a chronology of key decisions and events since 2019 and **Annex 6a** which sets out a further timeline of the key stages of the assessment of the strategic options for AB.

³⁴ See **Annex 207** for AB's responses to additional queries raised by the CMA on documents relating to the "[REDACTED]" model.

³⁵ See **Annex 6** for a chronology of discussions between ABF and [REDACTED].

- 3.10.3 [X]: as mentioned above, [X] undertook an in-depth analysis of AB's position in the context of the market dynamics, considering [X]. [X] concluded that the Transaction was the only viable option other than exit.
- 3.11 None of these [X] options would [X] bring AB back to profitability absent the Transaction. [X].³⁶ AB's losses persist [X]. This is because [X]. As a result, [X].
- 3.12 Consistent with this structural constraint, under its current business model, AB has undertaken multiple rounds of restructuring and cost reduction and has attempted to increase prices and secure additional volumes, but with limited success.
- AB has already reduced its fixed costs to minimum levels*
- 3.13 AB has undertaken multiple rounds of restructuring and cost reduction. Central overheads have been reduced by [20-30]% since FY2017/18, including significant reductions in sales, marketing, category management and IT functions, and the effective elimination of discretionary marketing spend.³⁷
- 3.14 AB has closed bakeries and production lines following the loss of major contracts, rationalised its depot network, reduced fleet size, and optimised routing within its distribution network. These measures have left central, site-level and logistics overheads at minimum viable levels for a firm operating a nationwide bakery business with DTS capability.
- 3.15 [X].
- No ability to raise prices or secure profitable volume growth*
- 3.16 AB has also sought to improve cost recovery through price increases and volume growth. While AB has achieved some price increases in recent years (c. [X]p per pack between FY20/21 and FY24/25), these have fallen short of input cost inflation (mainly due to increases in energy, wheat and distribution costs), which has increased average unit costs by c. [X]p per pack over the same period.³⁸ Strong retailer buyer power and excess capacity have prevented AB from passing through its full cost increases, and [X].
- 3.17 On the volume side, AB continues to participate in [X].³⁹ However, these efforts have yielded only marginal gains and have been more than offset by losses of major contracts and branded listings. Critically, any material increase in volumes would require either lower prices or additional investment, both of which would further undermine profitability.
- 3.18 Taken together, these outcomes confirm that there is no realistic prospect of AB turning its financial situation around under its current business model.
- No sustainable alternative standalone business model*
- 3.19 Beyond its current business model, AB has carefully considered a wide range of alternative standalone strategies. [X].
- 3.20 As noted above, AB faces [X]. In particular, to break even in economic terms,⁴⁰ AB would need to achieve one of the following, without adversely affecting the others:
- (a) increase average prices by c. [X]%;

³⁶ [X] also analysed the various options. Their analysis of the various options is set out in **FMN Annex 4** and explores the [X] in order to overcome the financial challenges outlined above and to return AB to profitability.

³⁷ **Annex 4**, section 2.1.1.

³⁸ **Annex 4**, Figure 2.

³⁹ **Annex 4**, section 2.2.1.

⁴⁰ That is, [X] in AB. (**Annex 4**, section 3.1).

- (b) increase volumes by c. [REDACTED]%; or
- (c) reduce fixed costs by c. [REDACTED]%.

3.21 Each of these outcomes represents a very substantial change in its own right. Moreover, as explained in the sections that follow, attempts to pursue any one of these options would necessarily exacerbate the remaining constraints identified above, such that none provides a viable route to break-even.

[REDACTED] the business is not viable

3.22 AB has carefully considered a wide range of options to [REDACTED]. As set out in detail in the [REDACTED] FMN, these options [REDACTED]. In particular, [REDACTED].

3.23 [REDACTED] is therefore not a viable strategy. [REDACTED].⁴¹ [REDACTED].

3.24 [REDACTED] is also not a credible solution. [REDACTED]. Given AB's ongoing losses and constrained financial position, it is not in a position to [REDACTED].

[REDACTED] options are insufficient and impractical

3.25 AB has also explored whether [REDACTED].

3.26 A full [REDACTED] model is, at best, theoretically cost-neutral⁴² and infeasible in practice: [REDACTED]. In any event, even under optimistic assumptions, a shift to an [REDACTED] model would reduce AB's costs by only around [REDACTED]p per pack, compared to the c. [REDACTED]p per pack reduction in fixed costs that would be required to [REDACTED].⁴³ The maximum achievable savings from an [REDACTED] shift therefore fall well short of the scale needed to make AB viable on a standalone basis.

3.27 A [REDACTED] would deliver some logistics efficiencies [REDACTED]. However, [REDACTED] and would therefore be insufficient, on its own, to [REDACTED]. In particular, the cost savings achievable through [REDACTED] (estimated at c. £[REDACTED] million per annum) are materially smaller than the total reduction in fixed costs required for AB to [REDACTED].⁴⁴ [REDACTED].

3.28 In light of this, while AB has explored a range of [REDACTED] options, none is capable of [REDACTED] or restoring AB to a sustainable financial position on a standalone basis.

Exit is therefore the only credible outcome absent the Transaction

3.29 Given the [REDACTED] of AB's losses, the [REDACTED] constraints imposed by [REDACTED], and the exhaustion of all realistic [REDACTED] options, there is [REDACTED]. In these circumstances, continued standalone operation would entail the incurrence of substantial and ongoing losses with no realistic pathway to recovery.

3.30 As demonstrated by [REDACTED], exit is economically superior to continued trading and represents the rational course of action for ABF in the absence of the Transaction. This conclusion is reinforced by the value of AB's underlying property assets. As part of its strategic review, ABF updated its valuation of AB's property portfolio (comprising the sites of its bakeries and depots), which has an estimated value of c. £[REDACTED] million.⁴⁵

3.31 This conclusion applies [REDACTED]. There is no credible business rationale for AB to [REDACTED]. In the event ABF were to [REDACTED]. AB's operations in [REDACTED]. A material volume of products manufactured

⁴¹ CMA Economist Meeting slide deck, shared on [REDACTED].

⁴² See [REDACTED].

⁴³ Annex 4, section 3.2.2.

⁴⁴ See the slide deck "[REDACTED]" and the Parties' response to Question 14 Phase 2 RFI 1 dated 14 January 2026.

⁴⁵ FMN, executive summary paragraph 8.

in [REDACTED] are supplied to customers in [REDACTED] (c.£[REDACTED]m in FY24/25⁴⁶), while a significant volume of products sold in [REDACTED] are manufactured at [REDACTED] sites (c.£[REDACTED]m in FY24/25⁴⁷).

3.32 Accordingly, **the first limb of the failing firm assessment is satisfied: absent the Transaction, AB would be likely to exit the market in the foreseeable future.**

Limb 2: there is not any alternative, less-anti-competitive purchaser of AB or its assets⁴⁸

3.33 For the purposes of Limb 2, the relevant counterfactual is whether there exists any realistic third-party purchaser that could acquire AB as a going concern, continue to operate it, and which would lead to a more competitive market situation than under the Transaction. For the reasons set out above, the below analysis focuses on the position for [REDACTED] in light of AB [REDACTED] operations recording a small profit (i.e. c.£[REDACTED]m) and [REDACTED]. ABF has kept the CMA informed of developments in this regard. [REDACTED].

A formal sale process [REDACTED]

3.34 The degree of AB's losses and the industry context (as explained above) are such that there would be no [REDACTED].

3.35 Further, AB is not a viable standalone business [REDACTED]. As set out above, there are no [REDACTED] options that [REDACTED] and which would return AB to profitability. The [REDACTED]. In such circumstances, [REDACTED]. Put another way, there is no reason [REDACTED] in order to sell branded product in [REDACTED] would be able to find ways to increase profits by around £[REDACTED]m per annum in a declining market.

3.36 As discussed further in the following section, a return to profitability would necessitate the [REDACTED]. A merger with [REDACTED] would not produce a less anti-competitive outcome.

3.37 In this context, the [REDACTED]. As mentioned in section 2, as part of the strategic review of AB, ABF obtained an update of the valuation of AB's property portfolio (i.e. the sites of its bakeries and depots) which estimates their value as c.£[REDACTED]m. Therefore, [REDACTED].

The Transaction is the only solution

3.38 AB's sustained losses, combined with the structural decline in demand for traditional plant bread, mean that a return to profitability can only be achieved through access to very substantial scale and the associated efficiency gains, particularly in distribution. In practice, such scale – and the resulting synergies – can only be realised through a merger with an equally large or larger business. The proposed Transaction with Hovis is the clearest illustration of this dynamic.

3.39 As set out in ABF's Business Plan and described in more detail below, the Transaction with Hovis would fundamentally transform AB's scale and cost base:

- (a) by combining the operations of the two businesses, AB would [REDACTED] in scale;⁴⁹ and
- (b) this step change in scale would enable the operation of a [REDACTED], unlocking substantial merger-specific synergies that are not available at smaller levels of combination.

3.40 In practice, and as clearly illustrated in the Business Plan, it is only through this combination of materially increased scale and operational efficiency that AB would be able to [REDACTED]⁵⁰ and

⁴⁶ This comprises [REDACTED].

⁴⁷ This comprises [REDACTED].

⁴⁸ See Limb 2 analysis at FMN, paragraphs 10.58 – 10.66.

⁴⁹ According to the ABF Business Plans, submitted to the CMA [REDACTED].

⁵⁰ ABF Business Model estimates total per unit costs in FY27/28 (when the bulk of the Transaction synergies are realised) to drop from c. [REDACTED] per unit (AB standalone, including the Mills operations) to c [REDACTED] per unit (combined business, similarly including the Mills operations. See [REDACTED].

return to profitability – moving from estimated losses of c. £[X]m in FY27/28 on a standalone basis to profits in excess of £[X]m post-merger.⁵¹

- 3.41 Understanding the relevance of scale and the need for unlocking sizable cost synergies is critical for assessing the Transaction with Hovis. No alternative transaction, whether involving smaller competitors or alternative business models, would deliver a comparable increase in scale or generate sufficient cost savings to restore profitability.⁵² Indeed, the underlying challenges facing AB are so significant that even a transaction as transformative as more than doubling the size of the business (as under the Transaction) only delivers profitability by Year [X].⁵³ Anything short of a merger of this magnitude would therefore be incapable of achieving the required synergies and attract the interest of any third-party buyer.

The Transaction fundamentally transforms the business by adding substantial scale to its operations

- 3.42 Central to the Transaction plan is the ability to retain sufficient capacity to meet retailer demand while operating bakeries at high levels of utilisation. As explained in the [X] submission [X]:

- (a) the Transaction Plan involves optimising the Parties' [X];
- (b) this is expected to increase the average capacity utilisation of all (bread and non-bread) lines from c.[X]% (the average utilisation of AB and Hovis operating as standalone businesses) to c.[X]%, improving operational efficiencies.⁵⁴

- 3.43 Increasing the volume base, and the associated revenue base, is the first and essential step towards restoring profitability. Only by operating at materially higher volumes can the business reduce the per unit costs of manufacturing and distribution.

- 3.44 The Transaction further unlocks substantial cost synergies, again driven by increased scale of operations.

- 3.45 As explained at the CMA 'teach in' meeting on 21 January, the Transaction with Hovis unlocks substantial cost synergies. By making the combined business larger (as opposed to smaller), efficiencies are unlocked – these, coupled with a scale up in operations (i.e. a higher volume base), results in lower unit costs for combined business, in a way that the standalone business cannot achieve. An overview of the key synergies (as set out in AB's Business Plan) is presented below.⁵⁵

- 3.46 **Manufacturing synergies.** These arise primarily from [X]. As explained in detail in [X] submission [X]. The result is more highly utilised network of bakeries, delivering material overhead savings of approximately £[X] million.

- 3.47 **Logistics synergies.** At present, there are [X] national distribution networks in Great Britain, [X] of which - those operated by AB and Hovis - are [X]. The costs associated with operating these networks are [X]:

- (a) [X] optimisation: [X].
- (b) [X] optimisation: [X].
- (c) Importantly, only a part of these logistics efficiencies could be realised through [X].

⁵¹ See [X].

⁵² This is with the exception of [X], which would however not result in a less competitive scenario than the Transaction with Hovis.

⁵³ See [X]. ABF estimates post-Transaction losses to persist up to year [X].

⁵⁴ See ABF Business Case, Annex [X].

⁵⁵ See also the slide deck "Vesper Teach-in 21 January 2026".

3.48 **Central synergies.** As the business scales, the overall fixed cost base would fall, for example, by [X].

4 THE TRANSACTION DELIVERS BETTER OUTCOMES FOR GB CONSUMERS THAN THE EXIT COUNTERFACTUAL

4.1 Compared to the relevant counterfactual, the Transaction delivers a substantially better outcome for GB consumers.⁵⁶

- (a) First, and as set out above, ABF would have a clear incentive to retain capacity post-merger, in order to scale up its business and secure greater volumes and associated revenues. By contrast, AB's exit would result in a material shortage in manufacturing capacity, leading to higher prices.⁵⁷
- (b) Second, with more capacity retained in the market under the Transaction than in the counterfactual, retailers will continue to have credible outside options and will remain able to discipline suppliers through delisting and re-allocation of shelf space. By contrast, under the exit counterfactual, the loss of capacity would materially weaken retailers' ability to constrain suppliers, shifting bargaining power towards manufacturers and limiting retailers' ability to constraint price increase.
- (c) Third, the Transaction is expected to deliver wider market benefits that would not materialise in the counterfactual, including:
 - (i) investment and innovation (c. £[X]m) supporting the development of new products more closely aligned with evolving consumer preferences, including [X];
 - (ii) better outcomes for vulnerable consumers, by ensuring continuity of supply of what are essential staple goods in a market characterised by financial distress and recent exits; and
 - (iii) better outcome for consumers through environmental benefits, given an estimated reduction in road miles of c.[X]m road miles per year, equating to a reduction of c.[X] tonnes per year).

Availability of capacity in the market and its impact on price⁵⁸

4.2 In the counterfactual, AB's exit is expected to remove approximately [X]m LPW of supply, which existing suppliers would not be able to absorb in full. As a result, [X] estimates that c.[X]m loaves per week ("LPW") of private label ("PL") supply would remain unserved, resulting in an increase in market prices to bring supply and demand into balance. Illustrative estimates suggest that wholesale prices would need to rise by around [X]% for PL bread and around [X]% on average across plant bread, to clear the market.⁵⁹

4.3 The price increase would not be a transitional effect, considering:

- (a) in the short term, rivals' ability to expand output is constrained by their available spare capacity; and
- (b) in the medium term, investment in additional capacity is unlikely, in light of (i) a continued decline in demand for plant bread, and (ii) the high capital costs and long

⁵⁶ See **Annex 4** for a more detailed comparison between the competitive outcomes in the counterfactual and with the Transaction.

⁵⁷ [X] comparison of the Transaction vs. the counterfactual focuses [X].

⁵⁸ See **Annex 4**.

⁵⁹ These estimates are conservative and do not reflect additional upward pressure arising from [X]. As such, the actual increase in prices is likely to be materially higher in the counterfactual. Further detail is set out in **Annex 4**.

lead times associated with expanding or installing new production lines. As a result, neither entry nor sponsored expansion represents a realistic mechanism through which the market would rebalance, meaning adjustment is likely to be via price changes.

- 4.4 By contrast, with the Transaction, market-wide capacity is expected to remain greater than current demand,⁶⁰ ensuring that competitive constraints continue to operate.

Retailers' bargaining power

- 4.5 Retailer bargaining power is a key competitive constraint in the plant bread market and is primarily driven by retailers' ability to discipline manufacturers by credibly threatening to switch volumes or reallocate shelf space without jeopardizing continuity of supply.
- 4.6 In the current market conditions, characterised by excess capacity, retailers have multiple sourcing options and therefore enjoy strong bargaining power against manufacturers. This enables retailers to constrain prices through volume switching, shelf-space reallocation, or delisting.
- 4.7 The Transaction would retain more capacity in the market than an exit counterfactual. As such, retailers would be better able to constrain suppliers through volume switching and shelf-space reallocation. Any attempt by MergeCo to restrict supply or raise prices would risk retailer retaliation and volume loss, undermining the realisation of merger synergies.⁶¹
- 4.8 As a result, with the Transaction, retailers' bargaining power would be materially stronger than in the counterfactual. This continued buyer power is expected to constrain prices and any sustained price increase.

The Transaction is a platform for future investment and, as a result, will deliver wider market benefits

- 4.9 In addition to the above, the Transaction scenario is expected to result into a number of wider benefits relative to the exit counterfactual.
- 4.10 First, the Transaction creates a financially resilient platform that supports meaningful investment in innovation, including approximately £[§] million planned in new product development. This investment will enable the launch of products [§].
- 4.11 Second, by creating a more sustainable and financially resilient business, that is not just profitable but has the financial headroom to be able to invest in innovation, the merged entity will be able to exert greater competitive pressure on the market leader, Warburtons. By operating at comparable scale to Warburtons, post-merger, ABF will be able to commit significant resources to NPD, increasing the level of dynamic competition in the market and delivering greater choice for consumers.
- 4.12 Third, the Transaction will ensure greater stability and continuity of supply of staple products [§]. These effects are particularly important for vulnerable consumers, who are disproportionately affected by reduced availability and price increases in essential goods. By preserving capacity, maintaining retailer bargaining power, and enabling efficiency gains, the Transaction delivers outcomes that are materially more favourable for vulnerable consumers than the exit counterfactual.

5 THE TRANSACTION WILL NOT GIVE RISE TO A SUBSTANTIAL LESSENING OF COMPETITION IN ANY RELEVANT PRODUCT MARKET IN GREAT BRITAIN

Plant bread

⁶⁰ This is clearly illustrated in Figure 5 of **Annex 4**, which [§].

⁶¹ As explained in **Annex 4**, this could include [§].

The relevant product market comprises all types of bread – including branded and private label⁶²

- 5.1 The Parties consider that branded and private label bread are part of the same relevant product market. **Branded and private label plant bread are close substitutes from both a demand and supply side perspective.**
- 5.1.1 Private label mimics the offerings of branded plant bread, sharing the same physical characteristics, with private label and branded products being broadly indistinguishable.⁶³
- 5.1.2 Grocery Multiples stock branded and private label products together and the split of shelf space and product placement of branded and private label is frequently adjusted.
- 5.1.3 Private label has grown its share of sales in the Grocery Multiples and has grown substantially in the market to a share of over 40%⁶⁴ despite the general downturn in the plant bread market which *“ha[s] been in long-term decline as consumer preferences gradually change.”* Grocery Multiples have recognised the increasing demand for private label products and are *“prioritis[ing] forming long-term relationships with [their] own-label suppliers.”*
- 5.1.4 In its Groceries price inflation work, the CMA found strong evidence that consumers are switching from branded to private label products, confirming strong demand side substitutability, with consumers increasingly prioritising *“shopping around to get the best deals”* above brand loyalty.⁶⁵ In previous grocery product mergers, the CMA identified that private label and branded products form part of the same market⁶⁶ – the factors they identified similarly apply to the bread market.
- 5.1.5 Private label products target the full range of consumer preferences having different value propositions (value, standard and premium) at different price levels e.g., following the growth in popularity of seeded plant bread, a number of the Grocery Multiples introduced their own private label seeded offerings.
- 5.1.6 There is a high degree of supply side substitutability between branded and private label – these products are made on the same production lines, using the same core ingredients, with the main difference being the final packaging of the product. Lines can be switched between different products in less than an hour.
- 5.2 The Parties consider that **all types of bread (e.g., white plant bread, brown plant bread, healthier white plant bread) are part of the same relevant product market.** In particular:⁶⁷
- 5.2.1 the manufacturing processes required to produce loaves within sub-segments are largely the same;
- 5.2.2 generally speaking, bread production lines can produce a full range of wrapped plant bread products, with only limited adaptations required for certain products (e.g. to apply a seed “topper”);
- 5.2.3 bread is manufactured on a batch-by-batch basis and manufacturing lines are typically switched between different product lines on a regular basis (e.g. in

⁶² See FMN, paragraphs 12.2 – 12.23.

⁶³ See the slide deck “Vesper Teach-in 21 January 2026” slide 24 onwards.

⁶⁴ AB and Hovis both supply some of this private label bread. See further section 5.5 below.

⁶⁵ Price inflation and competition in food and grocery manufacturing and supply, paragraph 13.

⁶⁶ Summary of the CMA’s decision in ME/6452/14 *ABF/ Dorset Cereals*, paragraph 54.

⁶⁷ See FMN, paragraph 12.17 – 12.18 for further analysis of the points listed below.

some cases, multiple times per day) to manage production across the Parties' bakery footprints efficiently; and

- 5.2.4 most manufacturers have the technical capacity to produce bread in all of the major sub-segments and most manufacturers produce a minimum of white, wholemeal and seeded products (which comprise c.84% of total demand).⁶⁸

The relevant geographic market comprises GB⁶⁹

- 5.3 The Parties consider that the relevant geographic market for plant bread is the manufacture and supply in GB. There is no plausible geographic frame of reference narrower than GB-wide.

- 5.3.1 Grocery Multiples are the main suppliers of plant bread to end customers in the UK and the largest of the Grocery Multiples all operate on a GB-wide basis.

- 5.3.2 Grocery Multiples **negotiate supply arrangements with the Parties on a GB-wide basis** and require bakers to **deliver product GB-wide** (whether DTS or to RDC spread across GB).

No SLC in the manufacture and supply of plant bread in GB⁷⁰

- 5.4 The Transaction will not give rise to an SLC in the manufacture and supply of plant bread in GB, for the following reasons:

- 5.5 **The combined share of the AB and Hovis brands is less than [20-30]%**, with an increment of less than [5-10]%, in the supply of plant bread by volume in GB in 2025. The combined share of the Parties is less than [40-50]% when considering share of manufacturing (i.e. taking into account the Parties' supplies of private label plant bread products). Post-Transaction, the Parties will continue to face significant constraints from Warburtons, which has a share of c.29%, Fine Lady Bakeries (a major supplier of private label) as well as a number of other branded or private label suppliers including Jacksons, Roberts, Brace's, Jason's (owned by Geary's) and Black Sheep (owned by David Wood).

- 5.6 **AB's main brand, Kingsmill, is no longer a meaningful competitive constraint** on rival plant bread makers including Hovis (whose market share is also declining). Sales of Kingsmill have declined substantially over the last 20 years from an estimated c.[X] in 2004 to c.[X] in 2025. Its share has declined to [5-10]%, following a significant number of delistings.

- 5.7 **The Grocery Multiples are the Parties' biggest customers but also their biggest competitors, effectively acting as gatekeepers to consumers.** In particular:

- 5.7.1 c.90% of plant bread in GB is sold to Grocery Multiples⁷¹, meaning suppliers are heavily dependent on the Grocery Multiples to access consumers;

- 5.7.2 the decline in consumption of plant bread, along with the growth of the discounters, has seen retailers adapt their bread category strategies. Sales of private label products have increased significantly taking shelf space from branded products, with Kingsmill particularly impacted;

⁶⁸ The Parties consider that sourdough products also form part of the overall plant bread market, as explained further in response to Question 3 of the CMA's RFI of 14 January 2026.

⁶⁹ See FMN, paragraph 12.24 – 12.25.

⁷⁰ See FMN, paragraph 14.73 – 14.91 and updated market share figures in Parties' Question 17 response to S109 dated 16 January 2026 at **Annex 224**.

⁷¹ Based on Nielsen 2025 data.

- 5.7.3 the Grocery Multiples have successfully negotiated and maintained very low prices for the manufacture and wholesale supply of plain bread (with manufacturers suffering significant losses);
- 5.7.4 through their control of shelf space, the Grocery Multiples are readily able to penalise suppliers by delisting a product or simply reducing shelf space for a product. Volume is important to those that supply on a DTS basis as if a SKU is delisted or its shelf space reduced, the supplier still needs to deliver the remaining volumes but still incurs the high costs of distribution, i.e. it has to spread the high fixed costs associated with distribution over a lower volume of products, increasing the per unit cost;
- 5.7.5 through the annual Joint Business Plan (JBP) process (which typically applies to branded products), the Grocery Multiples successfully manage their gatekeeper position to their advantage, for example, by 1) requiring significant payments to support promotions; 2) limiting distribution to certain types of store; 3) reducing shelf space for a particular SKU; or 4) changing strategy to limit the number of suppliers in different plain bread segments; and
- 5.7.6 the Grocery Multiples have a range of options for their private label supplies, e.g. Fine Lady (sponsored by Tesco), Jacksons (which supplies the Co-op) as well as a range of other suppliers such as Brace's, Geary's and Boparan/ Robert's.

Morning goods

No SLC in the supply of morning goods in GB⁷²

- 5.8 'Morning Goods' comprises non-bread bakery products commonly eaten for breakfast, e.g., bagels, croissants, crumpets, fruit bread, muffins⁷³ and pancakes. The CMA's Area of Focus document identified a potential SLC in relation to the markets for muffins, fruit bread and hot cross buns in GB.⁷⁴
- 5.9 The precise market definition for bakery products has been considered in several previous European Commission ("EC") decisions. Most recently, the EC considered that "*various sub-segments within [...] morning goods are likely part of the same product market.*"⁷⁵
- 5.10 The Parties agree with the EC's view that a wide market definition encompassing all 'morning goods' is the most appropriate frame of reference due to the high demand-side substitutability between individual bakery products. As such, it is not appropriate to segment morning goods into narrow markets based on individual goods.⁷⁶ Even were the CMA to group morning goods into narrower subsets (e.g. 'traditional breakfast') or consider the position in relation to individual products, the Transaction does not give rise to an SLC.⁷⁷
- 5.11 Morning goods in GB are characterised by a high prevalence of private label products (accounting for over 50%), which form part of the same product market as branded morning goods.⁷⁸ The Parties' combined share of the supply of all morning goods in GB is no more than [10-20]% (based on share of manufacturing, including both branded and private label).

⁷² See FMN, paragraphs 12.35 – 12.53 and paragraph 14.107.

⁷³ Muffins in this context refers to English, rather than American, muffins.

⁷⁴ Areas of Focus document, paragraph 27. The Parties note that the CMA has subsequently indicated that it intends to "de-prioritise" hot cross buns as a theory of harm.

⁷⁵ Case M.10350 *Mondelez / Chipita Industrial and Commercial Company*, recital 26.

⁷⁶ See also the Parties' submission on demand-side substitutability within morning goods (Annex 206 to the FMN).

⁷⁷ See AB/Hovis response to Question 8 of the RFI notice dated 14 January 2026 for a full competitive assessment of the horizontal unilateral effects arising in relation to each of fruit bread, muffins and hot cross buns in GB.

⁷⁸ See paragraph 12.31 of the FMN.

- 5.12 Morning goods in GB are supplied by a large number of both national and regional manufacturers, including Warburtons, Fine Lady Bakeries, Fletchers, Jacksons, Signature, Roberts (now owned by Boparan), Braces, Jones' Village Bakery, Mondelez, New York Bakery and others.⁷⁹ These suppliers will continue to exercise significant constraints on the combined entity post-Transaction.
- 5.13 In addition, the Grocery Multiples are by far the largest customers for morning goods products (accounting for c. 95% of grocery retail sales). As with plant bread, the Grocery Multiples control the allocation of shelf space in their stores and can decide to, for example, reduce the number of brands that are stocked, delist SKUs or entire brands, replace private label SKUs with branded equivalents (and vice versa), and reduce shelf space allocated to one product in favour of another that is highly substitutable from a demand perspective. In addition, Grocery Multiples can and do multi-source their morning goods requirements, even within the same product, by splitting their volume requirements by depot or individual SKU. The Grocery Multiples therefore will continue to exercise significant countervailing buyer power post-Transaction.
- 5.14 As to the specific morning goods identified in the Areas of Focus document:
- Fruit Bread*
- 5.15 Fruit bread is a small segment, with grocery retail sales valued at c. [X], of which 60% are private label. Both AB and Hovis only supply private label fruit bread. This segment accounts for a very small proportion ([0-5]%) of the Parties' total sales in GB.
- 5.16 The Parties compete with Warburtons, Irwin's, Brace's and several other suppliers. Warburtons' fruit bread is stocked by [X] and will continue to represent a significant constraint on the Parties, alongside Irwin's which supplies both branded and private label fruit bread into GB. Further, there are very low barriers to entry for existing suppliers of plant bread. Fruit bread is produced on a standard bread production line with the addition of a mixer and a glazing machine, both of which can be added at low cost [X].⁸⁰ Manufacturers can switch between producing standard plant bread and fruit bread daily (in c. 30 mins), making it an easy segment for existing plant bread suppliers to enter.
- Muffins*
- 5.17 Muffins is an even smaller segment, with grocery retail sales valued at c. [X]. There is a fairly even split between branded and private label products in the market, although [X] of the Parties' sales are of private label muffins. Muffins also account for a very small proportion ([0-5]%) of each of the Parties' total sales in GB.
- 5.18 The Parties' major competitors are Warburtons and Fletchers, together with a tail of other suppliers, including, for example, Irwin's. Muffins are produced on a dedicated muffin line that is not typically used to produce other morning goods on a day to day basis. [X]. In any event, barriers to entry are low as a new or used muffin line can be purchased at relatively low cost.
- Hot Cross Buns*⁸¹
- 5.19 The hot cross buns segment is valued at c. [X] in GB, based on grocery retail sales (which are almost exclusively private label). Sales of hot cross bun products account for [0-5]% of each of the Parties' total sales in GB.

⁷⁹ New York Bakery is part of bakery group Grupo Bimbo.

⁸⁰ See further the response to Question 8 of the RFI notice dated 14 January 2026.

⁸¹ During the Phase 2 Teach-in on 21 January 2026, the CMA inquiry group stated that hot cross buns will not be an area of focus of the merger investigation. The Parties have therefore not provided significant context for this morning good.

5.20 The Parties will continue to be constrained by other major suppliers including Fletchers and Nicholas & Harris (both of whom are owned by Finsbury Food Group), Jackson's, Signature, Fine Lady Bakeries, Brace's, and Gunstones and Roberts (both owned by Boparan).

5.21 Barriers to entry are very low for existing manufacturers of roll- or bun-type products. Hot cross buns are produced on a standard bun/ roll line which can be interchangeably used to produce teacakes and rolls. All that is required is the addition of a 'crosser' tool (to make the cross on the hot cross bun) and, if switching from rolls to hot cross buns, an additional mixer to add in the fruit. Both pieces of equipment can be acquired at low cost ([X]) respectively). Suppliers can swiftly switch, taking c.30 minutes, between producing teacakes / rolls and hot cross buns.

6 THE TRANSACTION WILL NOT GIVE RISE TO A SUBSTANTIAL LESSENING OF COMPETITION IN ANY RELEVANT PRODUCT MARKET IN NORTHERN IRELAND

Plant bread

The relevant product market comprises all plant bread in the island of Ireland⁸²

6.1 For the same reasons as set out above for GB, the Parties consider the relevant product market comprises all types of plant bread, whether branded or private label.

6.2 Insofar as concerns the relevant geographic market, NI **forms part of a broader market for the island of Ireland.**

6.3 **A number of customers operate either fully or partly on an island of Ireland basis, rather than transacting separately for NI and ROI.** [X] recently tendered private label morning goods on an island of Ireland basis. [X] also tenders on an island of Ireland basis. Many of AB's other key customers, such as [X], also have presence across both NI and the ROI and require their stores to be supplied across both.

6.4 **The Parties' competitor set overlaps throughout the island of Ireland.** The Parties face competition from Northern Irish brands, such as Irwin's, as well as major Irish brands such as Brennans (the largest brand in the ROI) and Gallaghers (which now comprises a number of Irish brands including Pat the Baker, Irish Pride and Promise Gluten). Whilst Brennans and Gallaghers do not have production facilities in NI, they supply on a cross-border basis from their bakeries in the ROI and already have a significant volume of sales in NI.

6.5 **There are significant similarities in consumer preferences between NI and the ROI, which point towards an island of Ireland market.** There are certain products that are popular throughout the island of Ireland, e.g. soda bread, potato bread and wheaten bread, that are not widely marketed in other regions, i.e., GB.

6.6 **Convenience stores account for a significant proportion of groceries purchases throughout the island of Ireland** with the "van sales" distribution model being a common feature across both NI and ROI.

6.7 At the very least, ROI manufacturers represent a significant constraint from outside NI given their level of sales in NI (c.20%) and their ability to increase sales further to customers in NI without significant investment.

No SLC in the supply of plant bread in NI⁸³

6.8 The Transaction will not give rise to an SLC in the manufacture and supply of plant bread in NI, for the following reasons:

⁸² See FMN, paragraphs 12.26 – 12.29.

⁸³ See FMN, paragraphs 14.110 – 14.125.

- 6.9 **There are a number of significant players**, e.g. Irwin's, Brennans and Gallaghers, who will continue to act as significant competitive constraints going forward.
- 6.9.1 In addition, Warburtons (the market leader in GB) has recently launched a number of SKUs in NI.
- 6.9.2 The Parties have lost a substantial amount of shelf space to competitors – in a recent range review carried out by Tesco in June 2025, AB and Hovis each lost a substantial amount of shelf space in NI, whereas the allocation for Tesco private label bread increased, as did the allocation for Warburtons, Brennans and Irwin's.
- 6.9.3 The Parties face significant competitive constraints from ROI bakers who already have a share in excess of 20% in NI, which will only continue to grow as the bakers face low barriers preventing them from increasing sales to customers in NI.
- 6.9.4 Despite the Parties having a combined share of [50-60]%, their modest financial performance in NI reflects the reality that they are facing strong competitive constraints.
- 6.10 **Whilst private label products currently have a smaller share in NI, their popularity is increasing** and the large retailers are able to source private label products outside NI, including from GB and ROI, with Tesco retailing private label products sourced from Fine Lady in GB.
- 6.11 **Retailers enjoy significant buyer power and will continue to do so post-Transaction** for similar reasons as set out as for GB given the range of alternative suppliers available to them.
- No SLC in the supply of morning goods in NI⁸⁴***
- 6.12 The CMA's Area of Focus document identified a potential SLC in relation to the supply of pancakes, soda farls and potato farls in NI.⁸⁵ As noted above, the Parties consider that it is not appropriate to segment the morning goods sector into narrow markets on the basis of individual products and refer to paragraphs 5.8 - 5.10 above in respect of the appropriate frame of reference (i.e. morning goods).
- 6.13 As noted above in respect of GB, the relevant frame of reference for morning goods in NI includes both branded and private label products (though private label products play a less prominent role than NI than GB, accounting for c. 30% of morning goods). Morning goods in NI are supplied by a **significant number of competing suppliers**, including, for example, Irwin's, Bertie's Bakery, McErlain's and many regional Northern Irish bakeries, in addition to suppliers from ROI including Gallaghers, Brennans and McCloskey's. Certain products are also supplied to NI from GB, including by St Pierre and Warburtons.
- 6.14 As noted above, **convenience stores play a greater role** in grocery retail in NI than in GB. In conjunction with the "van sales" distribution model described in paragraph 2.30 (which is also used for the distribution of morning goods), the prevalence of convenience stores enables regional bakers to gain access to shelf space and grow strong local brands.
- 6.15 Without prejudice to the Parties' submissions on market definition, the three specific morning goods identified in the Areas of Focus document are addressed below:

Pancakes

⁸⁴ See FMN, paragraph 14.126 and the Parties' response to Question 8 of Phase 2 RFI(1) dated 14 January 2026.

⁸⁵ Areas of Focus document, paragraph 27.

- 6.16 Pancakes is a small category, with grocery retail sales in NI of c. [X]. The segment is comprised mainly of sales of branded products (over 80%) by a significant number of suppliers, including many smaller, regional bakers and family-run operations who have built strong local brands through the van sales model described above.
- 6.17 Post-Transaction, the Parties will continue to be constrained by Irwin's, McErlain's, Bertie's Bakery and many regional bakeries, including for example Mullaghmore Home Bakery and Sperrin Bakery. In addition, barriers to entry in this segment are low: pancakes (like crumpets and other batter-based products) are produced using a hotplate, which typically forms part of either a 'moving' hotplate line (where products are mechanically moved through different parts of the manufacturing line) or a less expensive 'static' hotplate line (where batter is dropped onto the hotplate, manually 'flipped' and manually moved through the subsequent stages of the production process). Bakers are able to produce significant quantities of pancakes and compete effectively using lower cost static hotplates without needing to invest in moving production lines.

Soda farls

- 6.18 Soda farls is a very small category, with grocery retail sales in NI of c. [X]. Sales are predominately branded (91%), made by a wide range of national and regional suppliers. Post-Transaction, the Parties will continue to be constrained by national suppliers of soda farls such as Irwin's, McErlain's and Bertie's, and regional bakeries such as Mullaghmore, Sperrin and Patton's.
- 6.19 In addition, barriers to entry in the soda farls segment are low. Soda farls can be made on the same production line as potato farls and switching from one product to the other takes c. 30mins. As with pancakes, soda farls are produced using a hotplate, which typically forms part of either a 'moving' hotplate line or a 'static' hotplate line (as described above at paragraph 6.17, save that dough pieces instead of batter are placed on the hotplate when making soda farls). Many regional bakers compete effectively using static hotplate lines, demonstrating that there is no need to invest in more expensive moving production lines.

Potato farls

- 6.20 Potato farls is also a very small category, with grocery retail sales in NI of c. [X]. Sales are predominately branded (84%), made by a wide range of national and regional suppliers. Post-Transaction, the Parties will continue to be constrained by with national suppliers such as Irwin's, McErlain's and Bertie's, and regional bakeries such as Mullaghmore.
- 6.21 As noted above at paragraph 6.19, potato farls can be made on the same production line as soda farls and switching between the two is straightforward. As explained above in relation to pancakes and soda farls, barriers to entry in respect of potato farls are low as bakers are able to produce significant quantities of potato farls on lower cost static hotplates without needing to invest in moving production lines.

7 CONCLUSIONS

- 7.1 For the reasons set out above, the most likely conditions of competition absent the Transaction, are that ABF [X] will exit the market. [X]. Accordingly, the relevant counterfactual against which to assess the Transaction [X] is an exiting firm counterfactual.
- 7.2 As to the position in [X], ABF [X]. As the CMA is aware, ABF continues to lose c.£[X]m per week and Hovis' financial position is also severely challenged.
- 7.3 Against this background, and in light of the challenging financial circumstances described in this submission and the ongoing losses being suffered by both AB and Hovis, the Inquiry Group is respectfully requested to reach a clearance decision as early as possible.