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

SUMMARY OF FINAL REPORT

16 June 2026

OVERVIEW OF OUR FINAL REPORT

1. The Competition and Markets Authority (**CMA**) has found that the anticipated acquisition (the **Merger**) 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**), may not be expected to result in a substantial lessening of competition (**SLC**) in the supply of bread and certain other bakery products in Great Britain (**GB**) and Northern Ireland (**NI**).

2. ABF and Hovis are together referred to as the **Parties**, and for statements relating to the future where ABF acquires Hovis (if the Merger proceeds), ABF and Hovis are referred to together as the **Merged Entity**.

WHO ARE THE BUSINESSES AND WHAT PRODUCTS DO THEY SUPPLY?

3. ABF, through its subsidiary ABF Grain Products Limited, agreed to acquire Hovis on 15 August 2025. ABF told us that the aim of the Merger is to drive significant costs synergies and efficiencies, to create a profitable UK bread business that is sustainable over the long term.

4. ABF is a diversified international goods, ingredients and retail group. Through Allied Bakeries (**AB**), its United Kingdom (**UK**) bakery business, ABF is active in the supply of bread and other bakery products. AB supplies both branded and private label products and its brands include Kingsmill, Allinson's and Sunblest.

5. Hovis supplies branded and private label bread and other bakery products, and its brands include Hovis, Mothers Pride and Ormo. Since 2020, Hovis has been owned by Endless, a private equity firm headquartered in the UK.

6. We considered the impact of the Merger on two broad sets of products that are supplied by both of the Parties in the UK:

   (a) Bread, including white bread, wholemeal/brown bread, healthier white bread and seeded bread in the UK (more particularly, pre-packaged, sliced bread also known as 'plant bread'); and

   (b) Other bakery products, sometimes referred to as ‘morning goods’. In GB, we focused on the following areas of overlap: English muffins, hot cross buns and fruit bread. In NI, our focus was on the overlap in pancakes, soda farls and potato farls.

7. The Parties supply these bread and other bakery products to retailers, such as grocery multiples and convenience stores, and wholesalers. The majority of sales are made to retailers, who in turn sell products to end consumers.

8. We considered the impact of the Merger in GB and NI separately, as we found that conditions of competition in the supply of these products are substantially different between GB and NI. In particular, evidence shows that the competitor set differs, with the market leader in GB, Warburtons, having only very recently entered NI; and there are material differences in consumer preferences, including the popularity of particular bakery products and the presence and popularity of particular brands and private label products in NI.

OUR ASSESSMENT

Why are we examining this Merger?

9. 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.

10. In this case, the CMA has jurisdiction over the Merger because each of ABF and Hovis is an enterprise that would cease to be distinct as a result of the Merger and Hovis’ UK turnover in the last financial year exceeded £100 million.

What evidence have we looked at?

11. In assessing the competitive effects of the Merger, we looked at a wide range of evidence.

12. We received submissions and responses to information requests from the Parties, as well as updates on ABF’s ongoing sales process for AB’s bakery operations in NI (**AB NI**) (the **AB NI Sales Process**) which it ran in parallel to our investigation. We also held meetings with the Parties, including a teach-in and site visit, an Initial Substantive Meeting (**ISM**), Update Calls, a Main Party Hearing (**MPH**) with ABF and a meeting with ABF to discuss possible remedies (**Remedies Meeting**).

13. We also carefully examined the Parties’ internal documents and financial data, including detailed evidence in relation to the financial performance of AB, the strategic options considered by the business and future business plans.

14. We spoke to and gathered information from third parties to better understand the competitive landscape and to obtain views on the impact of the Merger. We received evidence and submissions from the Parties’ customers, competitors and other relevant third parties, including responses to our Interim Report, Invitation to comment on remedies (**ITCR**) and Supplementary Interim Report.

WHAT DID THE EVIDENCE TELL US…

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

15. To determine what impact the Merger may be expected to have on competition, we considered what would happen absent the Merger. This is known as the counterfactual. Our assessment of whether the Merger will result in an SLC is based on a comparison between the Merger and the counterfactual.

16. Bread is an important staple product, especially for those on lower incomes. Bread is also one of a number of products that are sometimes classed by retailers as ‘known value items’, ie items which consumers are very familiar with; are aware of how much they cost; and which, if not priced competitively, may cause them to see the retailer as being ‘bad value’. As a result, larger retailers generally consider it important to match, or at least stay close to, the lowest market prices for bread.

17. However, previous work by the CMA on price inflation and competition in groceries and evidence collected during our investigation shows that the market for bread is in long-term decline, with demand decreasing as consumer preferences change,

and it is common for manufacturers to make a loss in this market. Jacksons (2023) and Roberts (2025) are recent examples of bread businesses that were acquired in a pre-packaged administration process. Morrisons also closed its Rathbones bakery (2026).

18. During our investigation, some large grocery retailers highlighted the financial difficulties facing bread suppliers, and the risk of bread businesses exiting the market. Concerns were raised with us about the potential impact of an uncontrolled market exit on bread prices, and the risk of food security of supply issues.

19. AB and Hovis have each faced financial challenges, with AB making significant losses over the last 14 years due to the overall decline in demand for bread, the increase in demand for lower margin private label products and significant increases in costs such as energy, wheat and distribution costs. AB's parent company, ABF, funded these losses while various restructuring initiatives were pursued to try to address AB's financial position.

20. In light of the significant challenges faced by AB, we have considered whether AB is likely to exit the market absent the Merger (ie close the bakery business down and stop supplying bread and other bakery products in the UK) – a so-called exiting firm scenario. Where the exiting firm scenario applies, a merger may not be expected to give rise to an SLC, as regardless of whether the merger goes ahead or not, the constraint from the exiting firm (here AB) as a separate competitor would be lost.

21. In forming our view on the exiting firm scenario, we have considered the following questions:

(a) Whether AB would have exited the market absent the Merger.

(b) Whether, absent the Merger, there would have been a purchaser for AB or its assets that would have operated them in competition with Hovis.

22. For an exiting firm scenario to apply, we would need to conclude that AB would have exited without the Merger *and* there would not have been a purchaser for AB or its assets that would have operated them in competition with Hovis.

23. On the first question, after assessing the evidence in the round, our conclusion is that absent the Merger, AB is likely to exit the market in the UK (ie both in GB and in NI). The evidence shows that AB is a heavily loss-making business in a structurally declining market and the bakery business is not of wider strategic importance to ABF. The evidence also shows that in GB, AB's Kingsmill brand is considered to be weak compared to other brands such as Warburtons and Hovis,

and this has contributed to a significant decline in branded sales volumes. As one of only three GB suppliers with a nationwide delivery network that delivers bread and other bakery products direct to retail stores six days per week, AB has high fixed costs from distribution, which has impacted profitability as AB's volumes have declined. The losses made by AB have persisted despite restructuring of the business to cut costs and reduce capacity.

24. Our analysis of internal business documents shows that ABF has also considered a wide range of other restructuring options to improve the financial performance of AB. However, the evidence shows that these are unlikely to be sufficient to turn the business around. We have also considered other options (such as investing in higher value products) that ABF could pursue to improve the financial performance of AB. However, our analysis shows it is likely that these would be insufficient to return AB to profitability.

25. On the second question, assessing the evidence in the round, our conclusion is that absent the Merger, there is unlikely to be an alternative purchaser of the whole AB business that would continue to use AB's assets to supply bread and other bakery products in competition with Hovis. When considering if there would be alternative purchasers, we have considered whether those purchasers would have been willing to pay more than the liquidation value for the business or its assets, in other words whether ABF would generate more value from selling AB or from closing it down. This is because we are considering what is most likely absent the Merger, and if a sale generates less value for ABF than liquidation, then ABF is less likely to pursue a sale over liquidating the business.

26. As ABF has not run a sales process for the AB business as a whole, we have considered possible potential purchasers, which have recently been involved in acquisitions in the sector, have previously approached the Parties about potential acquisitions of their bakery businesses, or were identified by the Parties in internal documents as potential purchasers, and contacted them in order to assess their potential interest in a purchase of AB, or a collection of its assets.

27. We consider that the overall pool of potential purchasers for the AB business as a whole (that would continue to run it as a supplier of bread and other bakery products on a national scale, particularly in GB for bread) is likely to be limited as AB is loss-making. Any potential purchaser would require significant funding to absorb the losses as it seeks to turn the AB business around and would likely need to generate significant synergies with its existing business in order to operate it profitability. As noted above, ABF has already reduced costs and cut capacity and explored a wide range of other options to restructure AB, but AB continues to be unprofitable.

28. In addition to the long-term decline of both the industry and AB in particular, and the relatively weak position of the Kingsmill brand, the evidence also shows that there are likely to be limited synergies available for businesses active in similar or related markets. These factors limit the attractiveness of AB to an alternative purchaser. None of the potential strategic purchasers that we spoke to indicated that they would be interested in an opportunity to purchase AB, or any of AB's GB assets, and operate it in competition with Hovis. We therefore consider that it is unlikely that there would have been a purchaser for AB's assets as a whole, or any of AB's GB assets that would have continued to use those assets to supply bread and other bakery products in competition with Hovis across the UK.

29. AB's NI business has its own manufacturing and distribution facilities. In addition, the NI market and AB NI business have distinct features, as compared with GB, which we considered might affect the attractiveness of the AB NI business relative to the AB business overall, including in relation to profitability, likely funding requirements, distribution models, competitive dynamics and the opportunity for suppliers based in the Republic of Ireland (**ROI**) to enter or expand in NI.

30. We therefore also considered whether there might be an alternative purchaser of the AB NI business only, absent the Merger, informed by our own analysis and the AB NI Sales Process.

31. Our general view is that a sales process conducted against the backdrop of an ongoing CMA merger investigation is unlikely to be an exact proxy for what would have happened without the Merger. Taking into account the possible mixed incentives of the various parties involved in the AB NI Sales Process, as well as the evidence from potential purchasers regarding the limitations of the sales materials prepared for the process, we do not consider the AB NI Sales Process to be an exact proxy for what a sales process in the counterfactual would look like. Nonetheless, we consider that it provides relevant evidence.

32. This evidence shows that overall interest in the AB NI business is limited and the potential purchasers that have shown the most interest in potentially acquiring AB NI (most notably those that have actively participated in the AB NI Sales Process) appear to attach only limited value to AB NI as an acquisition target. Of the 17 potential purchasers that either were approached by ABF's financial advisers about the opportunity to acquire AB NI or proactively approached ABF or its financial advisers on becoming aware of the AB NI Sales Process, only four made any form of offer for AB NI after attending a site visit and conducting due diligence, with only three making final non-binding offers. Our analysis of the four offers indicates that in the case of three of them, the overall consideration offered was negative (ie there would be a net cost to ABF of accepting the offer) and in each case this cost would be materially higher than the cost to ABF of liquidating

AB NI. In other words, it would cost ABF materially more to accept the offers from those purchasers than to close the AB NI business down. The remaining non-binding offer attributes greater value to AB NI, with the value of that offer being close to the liquidation value. However, the offer (including the consideration) is predicated on further 'red flag due diligence', and we consider there is material uncertainty about whether any offer would be made on those or similar terms and whether any such offer would result in a sale in the counterfactual.

33. We consider that the limited interest and value attributed to AB NI by potential purchasers in the AB NI Sales Process is consistent with our own assessment of AB NI's financial performance, as well as other evidence we have received about the attractiveness of the plant bread market in NI as a target for entry or expansion by an alternative purchaser.

34. While we cannot exclude the possibility that AB NI might have been sold to a purchaser that would have run the business as a competitor to Hovis for a price above the liquidation value, in reaching our view on the counterfactual we are required to consider what is most likely.

35. Based on the evidence available to us, our view is that absent the Merger the most likely scenario would have been one in which AB NI would have exited the market and there would not have been an alternative purchaser for it (above liquidation value) that would have operated it as a competitor to Hovis in NI. In other words, our view is that, absent the Merger, the most likely scenario is that AB NI would have been closed down.

… about the effects of the Merger?

36. Having considered the evidence, we consider that in the absence of the Merger AB would exit the supply of bread and other bakery products in GB and in NI, and there would not have been an alternative purchaser for the whole AB business, or AB's GB or NI assets, above liquidation value, that would continue to use them to supply these products in competition with Hovis. Consequently, the Merger may not be expected to result in an SLC in either GB or NI, as regardless of whether the Merger goes ahead or not, the constraint from AB as a separate competitor to Hovis would be lost.

CONCLUSION

37. For the reasons explained in this report, we conclude that the Merger will result in the creation of a relevant merger situation (**RMS**), and the creation of that RMS

may not be expected to result in an SLC in the supply of bread or any other bakery products in the UK.