



DETERMINATION OF MERGER NOTIFICATION M/11/031 - AUTOBAR/PROVEND

Section 21 of the Competition Act 2002

Proposed acquisition by Autobars UK Limited of Provend Group Limited

Dated 30 September 2011

Introduction

1. On 9 September 2011, in accordance with section 18 of the Competition Act 2002 ("the Act"), the Competition Authority ("the Authority") received a notification of a proposed transaction whereby Autobars UK Limited ("Autobars") would acquire sole control of Provend Group Limited and its subsidiaries ("Provend") from Bunzl plc ("Bunzl").

The Undertakings Involved

The Acquirer - Autobars

2. Autobars does not carry on any business activity in the island of Ireland. Autobars is part of the Autobars Group, a vending machine organisation owned by CVC Capital Partners ("CVC"), a private equity and investment firm. In the State, the Autobars Group installs vending machines, cleans and fills those vending machines with products such as hot and cold beverages and snacks, and provides technical services to those machines.
3. For the financial year ending 31 December 2010, CVC's worldwide turnover was [...]. CVC's turnover in the State for the same period was [...].

The Vendor - Bunzl

4. Bunzl is the parent company of an international distribution and outsourcing group and its shares are listed on the London Stock Exchange. Bunzl owns Provend.

The Target Business - Provend

5. Provend supplies and services vending machines in the United Kingdom and the island of Ireland. Provend had minimal turnover [...] in the State in 2010, the majority of which was generated by servicing the Irish operations of customers based in the United Kingdom.

6. For the financial year ending 31 December 2010, Provend's worldwide turnover was [... (...¹)]. Provend's turnover in the State for the same period was [... (...²)].

Rationale for the Proposed Acquisition

7. The parties submit that the Autobar Group's core business is vending and Bunzl's core business is distribution. The parties submit that the proposed transaction will allow both parties to focus on their core businesses.

Third Party Submissions

8. No submissions were received.

Analysis

9. There is no vertical relationship between the parties in the State. There is, however, a horizontal overlap between the parties in relation to the provision of vending machines in the State.
10. According to information provided by the parties, the vending machines market in the island of Ireland is estimated to be worth €110 million.³ The Autobar Group generated turnover of [...] in the island of Ireland in 2010. This represents approximately [0-10]% of the vending machines market in the island of Ireland. The parties state that since the turnover generated by Provend in the State in 2010 was approximately [...], its market share in the island of Ireland is approximately [0-10]%.
11. Provend's share of the vending machines market in the island of Ireland is negligible. The change in market share following the proposed transaction will therefore be small. There are many other competing vending machine suppliers active in the State including Vendit Limited, Selecta, BDS Vending Solutions Limited, and Pembroke Distributors Limited. This suggests that Autobar will neither have the ability nor the incentive to permanently raise its prices post-transaction.
12. In light of the above, the Authority considers that the proposed transaction will not raise any competition concerns in the State.

Ancillary Restraints

13. The Share Purchase Agreement ("SPA") contains a three-year non-compete obligation on the seller not to carry on or be engaged in any business in the United Kingdom which competes with Provend's vending machines business. The SPA contains a one-year obligation on the seller not to solicit employees. The SPA contains a three-year obligation on the seller not to contract with or engage with Crane Merchandising or N&W Global Vending in Great Britain in relation to the provision of vending machines. Finally, the SPA contains a one-year obligation on the purchaser not to solicit employees from the seller.

¹ Using the ECB reference exchange rate as at December 2010 of Euro/UK Sterling of 1/0.85.

² Using the ECB reference exchange rate as at December 2010 of Euro/UK Sterling of 1/0.85.

³ This figure is taken from a report prepared by Datamonitor on behalf of the European Vending Association entitled "EVA 2009 KPI Update", dated 28 May 2010.

14. The Authority considers these restrictions to be directly related and necessary to the implementation of the proposed transaction.

DETERMINATION

The Competition Authority, in accordance with section 21(2)(a) of the Competition Act, 2002, has determined that, in its opinion, the result of the proposed acquisition whereby Autobar UK Limited would acquire sole control of Provend Group Limited and its subsidiaries will not be to substantially lessen competition in markets for goods or services in the State, and accordingly, that the acquisition may be put into effect.

For the Competition Authority

Noreen Mackey

Member of the Competition Authority

Director, Mergers Division