



**DETERMINATION OF MERGER NOTIFICATION M/12/021 –
HENRY SCHEIN GROUP / C&M VETLINK**

Section 21 of the Competition Act 2002

Proposed acquisition of sole control by Henry Schein Inc of C&M Vetlink plc

Dated 29 November 2012

Introduction

1. On 1 November 2012, 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 Henry Schein, Inc (“Henry Schein”) through its wholly owned subsidiary Henry Schein Animal Health Holdings Ltd (“Henry Schein Holdings”) would acquire sole control of C&M Vetlink plc (“C&M Vetlink”).

The Undertakings Involved

Acquirer

Henry Schein Animal Health Holdings Ltd

2. Henry Schein Holdings is a private limited company registered in the United Kingdom and based in Gillingham, Kent. Henry Schein Holdings forms part of the Henry Schein Group and is an indirect wholly owned subsidiary of Henry Schein, Inc, based in Melville, New York in the US.
3. Henry Schein is engaged globally in the manufacture and supply of human and veterinary products (e.g., pharmaceuticals, surgical and consumable products and equipment) and services (e.g., practice management software), to office based health care practitioners (e.g., physicians, veterinarians and animal health clinics) and institutional clients (e.g., laboratories and both government and privately operated clinics). Henry Schein operates in North America and across 24 countries worldwide.
4. Henry Schein is engaged in the distribution of veterinary products including branded and generic pharmaceuticals (e.g., vaccines, anti-inflammatory, antibiotics and painkillers), surgical and consumable products (e.g., gloves, syringes, scalpels, sutures, needles, bandages and swabs) and equipment across Europe. Henry Schein also designs and distributes veterinary instruments.
5. Henry Schein sells and distributes dental products to the island of Ireland.¹ Henry Schein provides the veterinary products listed in paragraph 4 above only within Northern Ireland and is not active in the manufacturing or distribution of veterinary products within the State.

¹ In the State though Henry Schein Ireland Limited, Software of Excellence, BA International, Henry Schein, Inc and Zahn Dental and in Northern Ireland by Henry Schein (KM) Limited.

6. For the financial year ending 31 December 2011, Henry Schein had a worldwide turnover of €6,600 million and turnover in the State for the same period of approximately €[...].²

Target

C&M Vetlink plc.

7. C&M Vetlink is a public limited company registered in Ireland and owned by individual shareholders. The parties submit that no individual shareholder has control over C&M Vetlink.³ C&M Vetlink has one wholly-owned subsidiary, BVP Pharmaceuticals Limited, which was incorporated in 2005 but has not traded since incorporation.
8. C&M Vetlink is a wholesale distributor of veterinary and companion animal products.⁴ C&M Vetlink operates from its base in Annacotty, Co. Limerick and from a warehouse in Kilcool, Co. Wicklow. C&M Vetlink distributes pharmaceutical products (e.g., vaccines, sedatives, anaesthetics and anti-inflammatories) and consumables (e.g. sutures, needles, syringes, bandages and gloves). C&M Vetlink also distributes pet nutrition products, including Hill's Pet Nutrition and Burn's Pet Nutrition.⁵ These goods are distributed to customers such as veterinary practices, farmers, licensed merchants and pet stores in the State. C&M Vetlink does not manufacture any goods.
9. For the financial year ending 31 October 2011 C&M Vetlink had a worldwide turnover of €56,074,558 all generated within the State.

The Proposed Transaction and the Rationale

10. The proposed transaction is an acquisition of shares pursuant to an offer for the entire issued share capital of C&M Vetlink dated 30 October 2012. The offer is supported by seven Supporting Shareholders who are also directors of C&M Vetlink.
11. Henry Schein states that the purchase will enable it "to access this sector in the Republic, a sector in which it is not currently active".⁶

Licensing Regime

12. The Department of Agriculture, Food and the Marine (the "Department") has overall responsibility for the regulation of veterinary medicines in the State. The licensing and control of the distribution of veterinary medicines is governed by both national and EU legislation.⁷
13. In the case of veterinary medicines, only those that have been licensed for the Irish market, whether by the Irish Medicines Board ("IMB") or by having a Pan European Licence, or are exempted from authorisation, may be imported, sold or used on animals in the State.⁸

² These figures have been provided by the parties using an exchange rate of USD\$1=€0.72.

³ One individual shareholder and company director, Patricia Moran, holds 44.9% of C&M Vetlink.

⁴ companion animal is a term used to refer to pets such as domestic dogs and cats.

⁵ For more information please see www.hillspet.ie and www.burnspet.co.uk

⁶ As provided in the notification.

⁷ In particular under the European Communities (Control of Animal Remedies and their Residues) Regulations 2007 [SI no 786 of 2007].

⁸ Ibid at Regulation 3 and Regulation 69.

14. Under the Irish legislative regime, the IMB acts as the national licensing authority for veterinary medicines.⁹ The application process to obtain an authorisation license for a veterinary medicine requires extensive scientific and documentary evidence and can take between 90 to 210 days to complete.
15. The Department is responsible for licensing premises engaged in the commercial distribution of veterinary medicines.¹⁰ Licenses are issued following premises inspections by Department officials to ensure there are adequate facilities to store and transport the veterinary medicines. The application process takes approximately six weeks. C&M Vetlink hold a wholesale license but Henry Schein Holdings do not.

Third Party Submissions

16. No third party submission was received.

Analysis

17. Both parties to the transaction are engaged in the distribution of similar veterinary medicines (e.g., vaccines, antibiotics, painkillers and anti-inflammatories) and consumable products (e.g., gloves, syringes, scalpels, sutures, needles, surgical bandages and swabs).
18. There is however no geographic overlap in the activities of the parties. Henry Schein operates in the UK (including Northern Ireland) but not within the State, while C&M Vetlink operates solely within the State. C&M Vetlink has a licence permitting it to distribute veterinary medicines in the State, while Henry Schein Holdings does not. Other suppliers of veterinary medicines and consumable products in the State include Chanelle Veterinary, Agri Health Ltd and the Uniphar/Alphar Group.
19. Notwithstanding an absence of geographical overlap between the activities of the parties, it is still possible that a merger between two or more undertakings could adversely affect competition to the detriment of consumers by way of removing a potential competitor. That is, competition concerns might arise if a potential competitor is removed, as would be the case if entry to a market is by way of an acquisition of an exiting business rather than by starting a new business.
20. The removal of a potential competitor does not appear to be a viable theory of harm in this instance. In response to queries raised by the Authority, Henry Schein confirmed that prior to this transaction it had no "*plans to enter the market in the Republic for the sale of veterinary products*" and as such has no analyses concerning the possibility or indicating an interest or intention to commence distributing veterinary medicines and consumable products within the State. The Authority has found no evidence that would indicate a previous interest or intention (i.e., prior to the proposed transaction) on the part of Henry Schein to enter the business of distributing veterinary medicines and consumable products within the State.
21. In light of the above, the Authority therefore concludes that the proposed transaction does not raise competition concerns in the State.

⁹ Ibid at Regulation 4.

¹⁰ Ibid at Regulation 30.

Ancillary Restraints

22. The Supporting Shareholders has entered into non-solicitation and non-compete covenants to apply for a period of 3 years post completion. The Authority considers that these restrictions are directly related to and necessary for 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 Henry Schein, Inc through its wholly owned subsidiary Henry Schein Animal Health Holdings Ltd would acquire sole control of C&M Vetlink plc will not be to substantially lessen competition in any market for goods or services in the State and, accordingly, that the acquisition may be put into effect.

For the Competition Authority

Stephen Calkins

Member of the Competition Authority

Director, Mergers Division