

MEDIA RELEASE



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Car deal conditionally authorised with Newcastle and Hunter Valley divestitures

The ACCC has conditionally authorised AP Eagers' (ASX: APE) proposed acquisition of Automotive Holdings Group (AHG) (ASX: AHG), following an undertaking from AP Eagers to sell its existing new car dealerships in the Newcastle and Hunter Valley region to a third party.

The merger did not raise concerns nationally, or in Melbourne, Sydney and Brisbane, where the overlap between the operations of AP Eagers and AHG is limited and there is sufficient competition from other dealerships and suppliers.

However, significant concerns were raised in the Newcastle and Hunter Valley region where AHG is AP Eagers' closest competitor.

"We were concerned that a combined AP Eagers and AHG would own about half of the 78 dealerships in the Newcastle and Hunter Valley region, and in metropolitan Newcastle, about three quarters of the dealerships that sell the top ten car brands," ACCC Commissioner Stephen Ridgeway said.

"If we had allowed AP Eagers to combine its dealerships with AHG's in this region, the reduction in competition in that market may have meant consumers would pay more for new cars."

"Although enquiries can be made over the phone or online, consumers usually still need to visit a dealership to negotiate the best possible price on a new car," Mr Ridgeway said.

"This limited ability to 'shop around' online to understand the actual price you would pay for a new car means it is important that customers have access to a range of competing dealers in their local area."

Under the court enforceable undertaking AP Eagers will sell its new car dealerships and related businesses in the Newcastle and Hunter Valley region to an ACCC approved, independent purchaser. However it will retain the AHG new car dealerships in the region that it proposes to acquire.

"AP Eagers' divestiture means there will be no increase in market concentration in the Newcastle and Hunter Valley region," Mr Ridgeway said.

Further information, including the ACCC's determination, is available on the ACCC's public register at [AP Eagers Limited proposed acquisition of Automotive Holdings Group Limited](#).

Background

AP Eagers and AHG are the two largest automotive retailers in Australia. AP Eagers and AHG supply new and used cars, trucks and buses, as well as associated products and services such as car repairs and servicing, authorised car parts, insurance and finance. Their operations overlap in Brisbane, Melbourne, Sydney and the Newcastle and Hunter Valley region of New South Wales (which includes Cessnock, Maitland/Rutherford, Singleton

and Port Stephens). AP Eagers is the largest shareholder of AHG, holding 28.84 per cent of AHG's listed securities as at 5 April 2019.

AP Eagers' application is the first following reforms in 2017 to the merger authorisation process (pursuant to the Competition and Consumer Act 2010), which reinstated the ACCC's ability to consider applications for merger authorisation. Previously authorisation applications were made directly to the Australian Competition Tribunal.

Merger authorisation provides an alternative avenue for merger clearance to the informal merger review process, which is the most commonly used avenue used by merger parties. The authorisation process is public. Where merger authorisation is granted, merger parties are exempt from the merger laws.

The ACCC may grant authorisation for a proposed merger if it is satisfied the merger is not likely to substantially lessen competition, or where the likely public benefits outweigh the likely public detriments.

The key requirements of the divestiture undertaking include:

- the divestiture of AP Eagers' new car dealerships and related business sites in the Newcastle and Hunter Valley region
- the approval by the ACCC of the proposed purchaser
- the transfer of all necessary assets, agreements (including dealership agreements), licences, authorisations and personnel, and
- the appointment of an independent auditor to audit and report upon AP Eagers' compliance with the divestiture undertaking.

Complying with the divestiture undertaking is also a condition of the authorisation.

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