

MEDIA RELEASE



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Wesfarmers' proposed acquisition of API not opposed

The ACCC will not oppose the proposed acquisition of Australian Pharmaceutical Industries (ASX: API) by Wesfarmers (ASX: WES).

API is a retailer and wholesaler of pharmaceutical and beauty & personal care products. It owns the Priceline retail business and is the franchisor for, and distributes products to, independently owned Priceline Pharmacies. API also owns the Priceline Sister Club customer loyalty scheme.

Wesfarmers is a conglomerate with substantial retail holdings. Its Kmart, Target and Catch businesses each sell a range of over-the-counter pharmaceutical and beauty & personal care products. Wesfarmers also owns 50 per cent of the Flybuys customer loyalty scheme.

The ACCC's review primarily focused on the markets for the retail sale of over-the-counter pharmaceutical and beauty & personal care products.

"Our investigation showed that there are many large and well-established retailers, including Chemist Warehouse, Woolworths and Coles, that will compete strongly with Wesfarmers after the acquisition in both the market for over-the-counter pharmaceutical products and the market for beauty & personal care products," ACCC Commissioner Stephen Ridgeway said.

"We consider that API's competitors will continue to compete strongly with Wesfarmers after the acquisition."

The ACCC also considered the potential effects on competition of Wesfarmers owning both the Priceline Sister Club and 50 per cent of Flybuys.

The investigation focused on whether the proposed acquisition would reduce competition by incentivising and locking customers into shopping at Wesfarmers-aligned pharmacies and providing Wesfarmers with access to increased customer data.

"Wesfarmers acquiring the Priceline Sister Club loyalty scheme will not have a lock-in effect on consumers in any market," Mr Ridgeway said.

"We also consider the benefits obtained from the additional customer transaction data do not appear to be so strong as to result in a substantial lessening of competition from the acquisition."

"Customers generally do not only join one loyalty scheme, and major competitors to Wesfarmers after the acquisition will have, or could start, their own customer loyalty schemes."

The ACCC consulted a wide range of stakeholders during the investigation. Most did not have any concerns and noted that the relevant markets have a large number of suppliers and retailers.

A small number of industry participants raised some competition concerns about the acquisition. After considering these concerns, the ACCC maintained its view that the proposed acquisition would not have the effect or likely effect of substantially lessening competition.

The ACCC also notes that Wesfarmers will be required to comply with the same laws and regulations as API regarding pharmacy ownership and location, and will have the same obligations as API under the [Franchising Code of Conduct](#).

More information can be found on the ACCC's website: [Wesfarmers Limited - Australian Pharmaceutical Industries Limited](#)

Notes to editors:

In considering the proposed acquisition, the ACCC applies the legal test set out in section 50 of the Competition and Consumer Act. In general terms, section 50 prohibits acquisitions that would have the effect, or be likely to have the effect, of substantially lessening competition in any market.

Other matters relating to pharmacies are regulated by a range of specialty regulators. A list of regulators in the industry can be found on the Pharmacy Board of Australia's website: [Other regulators](#).

Background:

Australian Pharmaceutical Industries Limited owns the Priceline retail franchise and the Priceline Sister Club loyalty scheme. API also wholesales products and services to Priceline franchisees, independent pharmacies and the Soul Pattinson and Pharmacist Advice banner groups.

Wesfarmers Limited is a large, publicly traded conglomerate with several retail businesses and an industrials division. Wesfarmers has a 5 per cent equity interest in Coles and shares joint ownership of Flybuys with Coles.

Over-the-counter pharmaceutical products include, for example, pain management and cold and flu products, and exclude prescription-only products.

Beauty & personal care products include products such as skin care, cosmetics, fragrances and dietary supplements.

Prior to Wesfarmers' bid to purchase API, Sigma had submitted an indicative proposal to acquire API but later withdrew the proposal. During the ACCC's consideration of Wesfarmers' proposed transaction, Woolworths also submitted and subsequently withdrew an acquisition proposal for API.

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