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ACCC consults on Petstock's proposed divestitures to address concerns over completed acquisitions

The ACCC is seeking views on a proposed divestiture offered by PETstock Pty Limited in relation to its completed acquisitions of Best Friends Pets, Pet City, Animal Tuckerbox and Pet and Aquarium Warehouse in Eltham, Victoria.

These acquisitions, which the ACCC considers raise significant competition concerns, only came to light during its current review into the proposed acquisition by Woolworths (ASX: WOW) of a 55% interest in Petstock.

Petstock is Australia's second largest specialty pet retailer and offers a broad range of pet products and services in-store and online.

"During the current Woolworths, Petstock merger review, market participants expressed concerns about the already significant consolidation that had occurred within specialty pet retail in recent years," ACCC Commissioner Stephen Ridgeway said.

Petstock completed numerous acquisitions between 2017 and 2022 that were not notified to the ACCC. The fact that the transactions have taken place does not preclude the ACCC from investigating and, if necessary, taking legal action.

Under the Competition and Consumer Act, the ACCC can seek court-ordered divestiture of shares or assets acquired in breach of the merger law for a period of three years after completion of a transaction, and can also seek penalties orders for a period of six years.

The ACCC opened an enforcement investigation earlier this year into Petstock's acquisitions. This investigation remains ongoing and the parties have proposed these divestiture undertakings to resolve the ACCC's concerns.

At this stage of its enforcement investigation, the ACCC has particularly significant concerns that four of Petstock's past acquisitions may have contravened section 50 of the Competition and Consumer Act. These are its acquisitions of Best Friends Pets, Pet City, Animal Tuckerbox and Pet and Aquarium Warehouse in Eltham.

"Our investigation so far has identified significant concerns with these four transactions in particular because of their impact on national and state-wide chain-on-chain competition, as well as competition in multiple local areas," Mr Ridgeway said.

"While there is currently no mandatory requirement for merger parties to notify the ACCC, the decision taken here to proceed with acquisitions of this scale without seeking ACCC clearance demonstrates the limitations of the current informal merger regime in Australia."

Petstock and Woolworths have now each offered to provide court-enforceable undertakings to resolve the ACCC's concerns with these completed acquisitions and enable Woolworths to complete its proposed acquisition of a controlling interest in Petstock.

Petstock has offered to divest a package of sites and assets it acquired in these completed acquisitions. Woolworths has also offered to provide a court-enforceable undertaking relating to various matters that would support the divestment.

“While the ACCC has decided to publicly consult on the proposed divestiture, this should not be interpreted to mean that this or any other form of remedy will ultimately be accepted,” Mr Ridgeway said.

As part of its undertaking, Petstock is proposing to divest 41 specialty pet retail stores, 25 co-located veterinary hospitals, four brands and two online retail stores, including:

- Best Friends Pets and OurVet brands, including the Best Friends Pets website, plus 26 Best Friends Pets stores and 25 co-located veterinary hospitals in New South Wales, Victoria, Queensland and the Australian Capital Territory;
- My Pet Warehouse brand, including its online store, plus three My Pet Warehouse stores, with two located in Queensland and one in Western Australia (now Petstock Osborne Park)
- Pet City brand, plus 10 Pet City stores located in Western Australia
- Animal Tuckerbox store located in the CBD of Launceston, Tasmania (now Petstock Launceston Central)
- Pet & Aquarium Warehouse store located in Eltham, Victoria (now Petstock Eltham Central).

The ACCC invites submissions on the proposed divestiture by 1 November 2023.

More information on this matter can be found here: [Woolworths Group Limited - Petstock Pty Ltd](#)

Background

Petstock is the second largest omni-channel Australian specialty pet retailer. Since 2017, Petstock has acquired numerous other specialty pet retailers including Best Friends Pets (2022), Pet City (2022) and Animal Tuckerbox (2021).

Prior to its acquisition by Petstock, Best Friends Pets was the number three omni-channel specialty pet retail player in Australia, operating physical and online stores under the Best Friends Pets and My Pet Warehouse brands. It operated 31 Best Friends Pets retail stores in NSW, QLD, VIC and the ACT; 14 My Pet Warehouse retail stores in VIC, NSW, WA and QLD as well as the Best Friends Pets and My Pet Warehouse online stores. The majority of Best Friends Pets-branded retail stores are co-located with OurVet branded vet hospitals and grooming facilities. Best Friends Pets acquired My Pet Warehouse in 2019.

Pet City was an Australian specialty pet retailer based in Western Australia with 15 retail stores.

Animal Tuckerbox was a specialty pet chain in Tasmania, with a network of 9 stores supplying companion animal, equine, poultry and rural supplies.

The ACCC’s ‘chain-on-chain’ concerns relate to competition between retail chains of multiple stores at a national or state-wide level. The ACCC also has concerns that relate to local competition between individual competitor stores within particular local areas.

Woolworths is seeking to acquire a 55% interest in Petstock. Woolworths stocks pet products at its Woolworths supermarkets and in BIG W stores.

Woolworths and Petstock Group both supply pet food, pet accessories and pet health products in Australia.

Media enquiries: 1300 138 917
Email: media@accc.gov.au
accc.gov.au/media