Response from Innovest to the CMA's Supplementary Interim Report

Thank you for the opportunity to comment on the ABF / Hovis Merger Supplementary Interim Report dated 21 May 2026 ('the Report').

We have carefully considered the revised provisional findings. Whilst I acknowledge the CMA's reconsideration of the evidence relating to the viability of an alternative purchaser for Allied Bakeries Northern Ireland ("AB NI"), we respectfully submit that the revised analysis remains incomplete in one important respect.

In particular, we consider that the Supplementary Interim Report approaches the counterfactual by reference to an artificially narrow comparison between:

- the liquidation cost of AB NI; and
- the net cost to ABF of selling AB NI.

In our view, once the CMA had identified a structural remedy requiring divestiture of AB NI in order for the Merger to proceed, the commercial decision facing ABF was materially different from the one analysed in the Report.

The real commercial alternatives available to ABF became:

a) sell AB NI on commercially acceptable terms to a preferred purchaser and complete the Merger;
b) withdraw from the Merger entirely; or
c) renegotiate the economic terms of the Merger with Hovis/Endless in order to accommodate any purchaser support required to secure CMA clearance.

Accordingly, the relevant comparator was no longer simply: "sale cost versus liquidation cost".

Rather, the relevant economic comparison became: "cost of divestiture versus value of securing completion of the Hovis transaction".

I respectfully submit that this distinction is fundamental.

The Supplementary Interim Report repeatedly analyses whether ABF would rationally prefer liquidation where offers exceeded estimated liquidation costs. However, this analysis appears to isolate AB NI from the wider strategic transaction being pursued by ABF.

Once the CMA indicated that the Merger could proceed subject to divestiture of AB NI, any purchaser support required to facilitate that divestiture became, in economic substance, part of the overall merger consideration and transaction-clearing cost.

In those circumstances, the question was not: "Would ABF prefer liquidation to sale?"

The relevant question became: “Would ABF incur additional disposal costs in order to secure completion of the wider Hovis transaction?”

The conduct of the Parties themselves strongly suggests the answer was yes.

In particular:

- ABF appointed [✄] to conduct a formal process;
- a broad purchaser universe was approached;
- an Information Memorandum was circulated;
- site visits and due diligence were facilitated;
- a virtual data room was established;
- multiple indicative and revised offers were received;
- and negotiations continued well beyond publication of the Interim Report.

Such conduct is difficult to reconcile with an inevitable or preferred liquidation scenario.

Indeed, the evidence gathered by the CMA demonstrates not an absence of purchaser interest, but rather that any realistic transaction required a degree of purchaser support, transitional assistance, retained liabilities, investment funding or other transaction-clearing consideration.

That is not unusual in distressed carve-out situations.

The Supplementary Interim Report itself recognises that:

- AB NI likely required significant synergies and/or support to operate profitably;
- substantial investment would be required;
- separation from AB GB created additional execution costs and risks;
- and most offers were structured accordingly.

However, the Report then treats those commercial realities principally as evidence that no purchaser existed, rather than as evidence that the economics of the wider merger transaction required adjustment to accommodate the remedy framework.

I respectfully submit that these risks stem from an unduly rigid interpretation of Limb 2 of the existing firm framework.

The CMA’s statutory test is whether there would have been: “an alternative, less anti-competitive purchaser … willing to acquire the business above liquidation value and operate it as a competitor”.

The test is not whether:

- a purchaser would emerge without support,
- without transitional arrangements,

- without retained liabilities,
- or without any adjustment to the economics of the wider transaction.

Nor does the statutory framework require the purchaser to bear all separation and restructuring costs where the seller is simultaneously seeking clearance for a strategically important merger.

In our respectful submission, the evidence before the CMA demonstrates that:

- There were credible and engaged purchasers;
- ABF continued to pursue a sales process;
- and the real issue was the allocation of economic burden required to secure merger clearance.

Accordingly, I respectfully suggest that the revised provisional conclusion may understate the extent to which ABF remained commercially incentivised to complete a divestiture in order to secure completion of the Merger itself.

Apart from all of the above, there are very significant and serious repercussions likely to occur as a result of your allowing the merger of the Northern Ireland businesses to merge. Northern Ireland is a unique case in terms of the overall British Isles:

Hovis owns the Ormo Bakery in Nationalist West Belfast and employs around 300 people, largely from the Nationalist community. ABF owns the Allied Bakery in East Belfast, a largely Loyalist community and also with around 300 employees. Both communities are classed as disadvantaged areas. By allowing the merger to proceed, you will undoubtedly be allowing the new merged entity to close one plant and whatever plant closes, it will cause a huge added disadvantage to whichever area it is in. This will in turn likely lead to significant unrest across the two communities.

If you did not allow the merger, this unrest and severe hardship in the communities would likely not occur.

Northern Ireland is different to the rest of the UK. Very different!

There is a very real human and social aspect to what you intend to approve which could have devastating consequences for a community in Northern Ireland and that must be a factor in your decision.

I would be pleased to provide any further assistance the CMA may require.

28 May 2026

Innovest's follow-up submission to the CMA

We remain strongly opposed to the merger of Hovis and Allied Bakeries as we foresee immeasurable damage on a number of levels, including the competition in the bakery sector, the inevitable increases in the prices of bread and the serious effects that will have on families across the UK. Also, the hundreds or possibly thousands of job losses your approval of the merger will cause across the UK and the social and community damage the closure of one of the Bakeries in Belfast will cause.

You have the power to prevent all of the above repercussions and I believe it will be an outrageous dereliction of duty if you proceed to final approval.

2 June 2026