

# CMA clears Amazon's 16% investment in Deliveroo

The Competition and Markets Authority (CMA) completed an initial 'Phase 1' investigation in December last year. At that point the CMA concluded that there was a 'realistic prospect' that the transaction could harm competition by, for example, discouraging Amazon from re-entering the online restaurant food market or further developing its presence in the online convenience grocery delivery market in the UK. The CMA therefore referred the deal for an in-depth 'Phase 2' investigation to assess more thoroughly the potential competition concerns.

In the course of a Phase 2 investigation, the CMA typically has to determine whether, on the 'balance of probabilities', a transaction would lead to a substantial lessening of competition. However, in this case, Deliveroo argued that the impact of the coronavirus (COVID-19) pandemic on its business meant that it would fail financially and exit the market without the Amazon investment. Given the seriousness and urgency of Deliveroo's financial situation the CMA concluded that Deliveroo met the criteria for a 'failing firm' and that its exit from the market would have been worse for competition and customers than allowing the investment to go ahead. The deal was provisionally cleared on that basis.

The CMA continued to monitor the situation. After reviewing Deliveroo's finances from April 2020 onwards, it became apparent that the restaurant food delivery market had recovered much more sharply than had been expected and that the restaurant 'mix' had also shifted towards smaller, independent restaurants and away from large fast food chains, several of which closed or stopped offering home delivery. Both factors contributed to a rapid and significant turnaround in Deliveroo's financial position. Given this change in circumstances, the CMA concluded that Deliveroo could no longer be considered a failing firm and that it would be necessary and appropriate to complete the CMA's substantive assessment of whether the transaction would lead to a substantial lessening of competition.

The CMA's final decision to clear the deal on competition grounds is the culmination of extensive analysis of internal documents from Amazon and Deliveroo, a survey of more than 3,000 consumers, and extensive submissions from interested third parties. The CMA's assessment has focused on how a 16% shareholding held by Amazon would affect its incentives to compete independently with Deliveroo in both restaurant delivery and online convenience grocery delivery in the coming years. The CMA ultimately found that this level of investment will not substantially lessen competition in either market. However, if Amazon were to acquire a greater level of control over Deliveroo – through, for example, acquiring a controlling interest in the company – this could trigger a further investigation by the CMA.

Stuart McIntosh, Inquiry Chair, said:

Today's final decision is the result of a thorough examination of this deal and the markets in which Amazon and Deliveroo operate. The CMA's initial Phase 1 review of the transaction highlighted potential competition concerns which the independent Inquiry Group has considered in detail during the Phase 2 investigation. Taking account of the higher legal standard that applies at Phase 2, the Group has concluded that the transaction will not result in a substantial lessening of competition in either restaurant delivery or convenience grocery delivery. Our decision reflects the scale of Amazon's investment in Deliveroo (16% of the company's equity) and its incentives to compete in both markets.

When looking at any merger, the CMA's role is to assess whether consumers will lose out from a substantial lessening of competition. We have not found this to be the case given the scale of Amazon's current investment, but if it were to increase its shareholding in Deliveroo, that could trigger a further investigation by the CMA.

### **Notes to editor:**

1. The CMA applies different thresholds as to the likelihood of a substantial lessening of competition at each phase of its merger assessment. At Phase 1, the CMA considers whether there is a 'realistic prospect' of a substantial lessening of competition. At Phase 2, the CMA decides whether the merger is more likely than not to lead to a substantial lessening of competition – that is, 'on the 'balance of probabilities. The different thresholds, and the need for the CMA to reach a definitive view at Phase 2, mean the Phase 2 investigation and analysis are deeper and broader. [Read more in A Quick Guide to UK Merger Assessment](#).
2. For more information, visit the [Amazon/Deliveroo merger inquiry case page](#).
3. Media enquiries to the CMA should be directed to [press@cma.gov.uk](mailto:press@cma.gov.uk) or 020 3738 6460.