

it could block the merger entirely

it could force Sainsbury's and Asda to sell off a "significant number of stores"

or, it could make the pair sell off other assets - including one of the Sainsbury's or Asda brands

UBS analysts have previously said that the deal would still be worthwhile for Sainsbury's and Asda even if they were forced to close as many as 132 stores.

But the CMA hinted that it is more in favour of option one - blocking the deal altogether - after claiming that it is "likely to be difficult for the companies to address the concerns it has identified".

Stuart McIntosh, chair of the independent inquiry group carrying out the investigation, said: "These are two of the biggest supermarkets in the UK, with millions of people purchasing their products and services every day.

Final decision due by end of April

"We have provisionally found that, should the two merge, shoppers could face higher prices, reduced quality and choice, and a poorer overall shopping experience across the UK. We also have concerns that prices could rise at a large number of their petrol stations.

He added: "These are our provisional findings, however, and the companies and others now have the opportunity to respond to the analysis we've set out today. It's our responsibility to carry out a thorough assessment of the deal to make sure that the sector remains competitive and shoppers don't lose out."

The two grocers have until 6 March to suggest possible remedies that could convince the CMA to approve the merger.

Interested parties, which may include retail rivals Tesco PLC (LON:TSCO) and Wm Morrison Supermarkets PLC (LON:MRW), have until 13 March to respond to the provisional findings.

The final report is due to be issued before the end of April.

-- Adds share prices, analyst comment --

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