

J Sainsbury PLC

03:17 25 Apr 2019

Sainsbury's and Walmart's Asda abandon merger after competition watchdog rejects deal

J Sainsbury PLC (LON:SBRY) and Walmart Inc's (NYSE:WMT) Asda have abandoned plans to merge after the UK competition watchdog rejected the proposed deal.

Following a phase two investigation, the UK Competition and Markets Authority concluded that the deal would result in a "substantial lessening of competition" in areas where Asda and Sainsbury's both have supermarkets, convenience stores and petrol stations.

READ: UK competition watchdog expected to block merger of Sainsbury's and Asda

The CMA said it found "extensive competition concerns" including price rises and a worsening of quality, range or service for customers.

"We therefore prohibited the merger in its entirety," it said.

In response, Sainsbury's and Asda said they have mutually agreed to terminate the deal.

CMA 'taking £1bn out of customers' pockets', says Sainsbury's boss
Sainsbury's chief executive, Mike Coupe, said the reason for wanting to merge was to lower prices for customers.

"The CMA's conclusion that we would increase prices post-merger ignores the dynamic and highly competitive nature of the UK grocery market," he said.

"The CMA is today effectively taking £1 billion out of customers' pockets."

The CMA's decision to block the merger was widely expected.

In February, the CMA indicated that it would rule against the proposed merger as it raised competition concerns in provisional findings of its investigation.

To alleviate the CMA's worries, the companies agreed to sell up to 150 supermarkets, several convenience stores and a "sufficient number" of petrol stations.

They also promised to slash prices by £1bn each year by the third year after completing the merger.

In morning trading, shares in Sainsbury's dropped 6% to 212.70.

What's next for Sainsbury's?

"The real worry for Sainsbo's is what now? Sainsbury's is the squeezed middle, losing market share to discounters and simultaneously losing out to more premium brands. While Aldi and Lidl consistently gain market share and Tesco rebounds, Sainsbury's is feeling the pinch. The worry is that it had no credible plan except this merger," said Neil Wilson, chief market analyst at Markets.com.

Price: 216.4

Market Cap: £4.79 billion

1 Year Share Price Graph



Share Information

Code: SBRY

Listing: LSE

52 week High Low
20130 177.05

Sector: Retail

Website: www.sainsburys.co.uk

Company Synopsis:

J Sainsbury PLC is a United Kingdom-based company principally engaged in grocery and related retailing, and financial services.

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Wilson said the recent performance in stores has been less than impressive. Like for like sales, excluding fuel, declined 1.1% in the third quarter.

"At a time of gently rising inflation and improving real wages Sainsbury's ought to be enjoying growth in group sales," Wilson said.

"There have been for some time question marks over the store offering and presentation, which is starting to look like a persistent problem. Following the Argos takeover and proposal to merge with Asda, there is a clear sense management is taking its eye off the basics, albeit grocery sales did rise 0.4%."

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