

**UNITED STATES OF AMERICA
BEFORE THE FEDERAL TRADE COMMISSION**

COMMISSIONERS: **Lina M. Khan, Chair**
 Noah Joshua Phillips
 Rebecca Kelly Slaughter
 Christine S. Wilson
 Alvaro M. Bedoya

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In the Matter of)	
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JAB Consumer Partners SCA SICAR)	
a corporation,)	
)	
National Veterinary Associates, Inc.)	Docket No. C-4766
a corporation,)	PUBLIC VERSION
)	
and)	
)	
SAGE Veterinary Partners, LLC)	
a limited liability company.)	
)	
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COMPLAINT

Pursuant to the Clayton Act and the Federal Trade Commission Act, and its authority thereunder, the Federal Trade Commission (“Commission”), having reason to believe that Respondents JAB Consumer Partners SCA SICAR, the owner of Compassion-First Pet Hospitals and National Veterinary Associates, Inc. (collectively, “Compassion-First/NVA”), a corporation subject to the jurisdiction of the Commission, has agreed to acquire SAGE Veterinary Partners, LLC (“SAGE”), a corporation subject to the jurisdiction of the Commission, in violation of Section 5 of the Federal Trade Commission Act (“FTC Act”), as amended, 15 U.S.C. § 45, that such acquisition, if consummated, would violate Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the FTC Act, as amended, 15 U.S.C. § 45, and it appearing to the Commission that a proceeding in respect thereof would be in the public interest, hereby issues its Complaint, stating its charges as follows:

I. RESPONDENTS

1. Respondent JAB Consumer Partners SCA SICAR is a private corporation organized, existing, and doing business under and by virtue of the laws of Luxembourg, with its office and principal place of business located at 14 Boulevard Royal, Luxembourg, Luxembourg L-2449 with its United States office and principal place of business located at JAB Holding Company LLC, 1701 Pennsylvania Avenue NW, Suite 801, Washington, DC 20006.
2. Respondent National Veterinary Associates, Inc. is a corporation organized, existing, and doing business under and by virtue of the laws of the State of Delaware, with its office and principal place of business located at 29229 Canwood St., Suite 100, Agoura Hills, CA 91301.
3. Respondent SAGE Veterinary Partners, LLC is a corporation organized, existing, and doing business under and by virtue of the laws of the State of Delaware, with its office and principal place of business located at 1390 Willow Pass Road, #470, Concord, California, 95420.
4. Each Respondent is, and at all times relevant herein has been, engaged in commerce, as “commerce” is defined in Section 1 of the Clayton Act, as amended, 15 U.S.C. § 12, and is a company whose business is in or affects commerce, as “commerce” is defined in Section 4 of the FTC Act, as amended, 15 U.S.C. § 44.

II. THE PROPOSED ACQUISITION

5. Pursuant to an Equity Purchase Agreement dated June 14, 2021, Compassion-First/NVA proposes to acquire SAGE for approximately \$1.1 billion (the “Acquisition”). The Acquisition is subject to Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18.

III. THE RELEVANT MARKETS

6. The relevant lines of commerce in which to analyze the effects of the Acquisition are individual specialty veterinary services and emergency veterinary services. Specialty veterinary services are required in cases where a general practitioner veterinarian does not have the expertise or equipment necessary to treat the patient. General practitioner veterinarians commonly refer such cases to a specialist, typically a doctor of veterinary medicine who is board-certified within the required specialty. Individual veterinary specialties include internal medicine, neurology, medical oncology, critical care, ophthalmology, and surgery. Emergency veterinary services are those used in acute situations in which a general practice veterinarian is not available, or in some cases, not

properly trained or equipped to treat the patient's medical problem. Compassion-First/NVA and SAGE both provide specialty and off-hours emergency veterinary services in facilities operated across the United States.

7. For the purposes of this Complaint, the relevant areas in which to assess the competitive effects of the Acquisition are local, delineated by the distance and time that pet owners travel to receive treatment.
8. The specific relevant markets in which to analyze the competitive effects of the Acquisition are:
 - a. internal medicine, neurology, surgery, medical oncology, and critical care veterinary specialty services and emergency veterinary service in and around Austin, Texas;
 - b. internal medicine, neurology, ophthalmology, and surgery veterinary specialty services and emergency veterinary services in and around San Francisco; and
 - c. internal medicine, surgery, and medical oncology specialty services in addition to emergency veterinary services in the area in and between Oakland, Berkeley, and Concord, California.

IV. THE STRUCTURE OF THE MARKETS

9. There has been a growing trend towards consolidation in the emergency and specialty veterinary services markets across the United States in recent years by large chains including Respondent Compassion-First/NVA. According to its internal strategy documents, Respondent describes the U.S. veterinary services industry as having [REDACTED]. [REDACTED] Indeed, all of the relevant markets are currently highly concentrated, and the Acquisition combines two close competitors and significantly increases concentration in each market.
10. In the areas in and around Austin, Texas, the merger reduces the number of providers of veterinary internal medicine, medical oncology, critical care, surgery specialty services as well as emergency veterinary services to only two or three providers, and in veterinary neurology, is a merger to monopoly.
11. In the area in and around San Francisco, California, the Acquisition would reduce the number of providers for internal medicine and surgery veterinary specialty services and veterinary emergency services from three to two. The Acquisition would result in a monopoly in the provision of neurology and ophthalmology veterinary specialty services.

12. In the areas in and between Oakland, Berkeley, and Concord, California, Compassion-First/NVA and SAGE are each other's closest competitors, and the Acquisition would combine two of a limited number of effective providers of veterinary internal medicine, surgery, and medical oncology specialty services in addition to emergency veterinary services.

V. ENTRY CONDITIONS

13. Entry into the relevant markets would not be timely, likely, or sufficient in magnitude, character, and scope to deter or counteract the anticompetitive effects of the Acquisition. For *de novo* entrants, obtaining financing to build a new specialty or emergency veterinary facility and acquiring or leasing necessary equipment can be expensive and time consuming. The investment is risky for specialists that do not have established practices and bases of referrals in the area. In addition, extensive education and training, beyond that required to become a general practitioner veterinarian, is required to become a licensed veterinary specialist. Consequently, specialists are frequently in short supply, and recruiting them to move to a new area often takes more than two years. Timely entry by emergency clinics is also difficult and expensive due to the costs and risks associated with acquiring and maintaining emergency staffing personnel and equipment.

VI. EFFECTS OF THE ACQUISITION

14. The effects of the Acquisition, if consummated, may be to substantially lessen competition and to tend to create a monopoly in the relevant markets in violation of Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the FTC Act, as amended, 15 U.S.C. § 45, by, among other things:
 - a. eliminating head-to-head competition between Compassion-First/NVA and SAGE in the provision of specialty and emergency veterinary services;
 - b. increasing the likelihood that Compassion-First/NVA unilaterally exercises market power; and
 - c. increasing the likelihood that customers are forced to pay higher prices or experience a degradation in quality of the relevant services.
15. Specialists and emergency veterinarians often monitor procedure prices charged by competing specialty and emergency clinics and lower their prices to attract more referrals. Indeed, internal business documents from Compassion-First/NVA explain that Respondent's pricing policy is to [REDACTED]. If the Acquisition were consummated, it would result in monopolies in the provision of certain specialty services in

two of the Relevant Markets and leave only two or three providers of other services. As a result, if the Transaction were consummated, it would likely enable Compassion-First/NVA to unilaterally raise prices to consumers in the Relevant Markets.

16. As the Respondents note in their internal business analyses, the [REDACTED]

[REDACTED] Respondents also observe that [REDACTED]

[REDACTED] Few Americans are able to obtain insurance for emergency and specialty veterinary services, however, as such insurance is not widely available. As a result, the price effects that would result from the Acquisition would be born as out-of-pocket costs directly by American consumers.

17. Specialists also compete in important non-price dimensions, such as the quality of outcomes, communication with customers and referring veterinarians, flexibility of appointments, education for general practitioners, and the use of the latest treatment and equipment. Therefore, if the Acquisition were consummated, it would result in highly concentrated markets for the provision of specialty services, and the merged entity would have a significantly reduced incentive to compete on the basis of non-price dimensions to the detriment of consumers.

VII. VIOLATIONS CHARGED

18. The Acquisition constitutes a violation of Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the FTC Act, as amended, 15 U.S.C. § 45.

WHEREFORE, THE PREMISES CONSIDERED, the Federal Trade Commission on this third day of June, 2022 issues its Complaint against said Respondents.

By the Commission.

April J. Tabor
Secretary

SEAL: