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**DIRECTORATE FOR FINANCIAL AND ENTERPRISE AFFAIRS  
COMPETITION COMMITTEE**

**Executive Summary of the Roundtable on Serial Acquisitions and Industry Roll-ups**

**Annex to the Summary Record of the 141st Meeting of the Competition Committee held on 5-8 December 2023**

6 December 2023

This Executive Summary by the OECD Secretariat contains the key findings from the discussion of the roundtable on Serial Acquisitions and Industry Roll-ups, held during the 141st meeting of the Competition Committee on 5-8 December 2023.

The opinions expressed and arguments employed herein do not necessarily reflect the official views of the Organisation or of the governments of its member countries.

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## *Executive Summary of the Roundtable on Serial Acquisitions and Industry Roll-ups*

By the Secretariat<sup>1</sup>

On 6 December 2023, the OECD Competition Committee held a roundtable to discuss the topic of serial acquisitions and industry roll-ups, i.e. the strategy or pattern by a particular firm undertaking a series of sequential acquisitions of smaller firms in the same or adjacent markets over time, then consolidating them into a large, potentially dominant company. This strategy was distinguished from staggered acquisitions, which usually refer to one company using multiple transactions to acquire cumulative shares of a second company, which were outside the scope of the discussion.

Considering the background note prepared by the OECD Secretariat, the written contributions and the discussion, the following key points emerged:

**1. There are a number of determinants of serial acquisitions that may help explain why these strategies/patterns tend to be more prevalent in certain sectors.**

Sectors that appear to be favoured by serial acquirers often have the following characteristics: they significantly benefit from economies of scale and scope, are highly fragmented, and feature numerous, small, homogenous businesses, often in local markets. Sectors in which different jurisdictions noted serial acquisition trends included healthcare, pharmacies, dental services, telecommunications, grocery retail, veterinary services, petrol retail, and real estate. Serial acquisitions also appear to be a feature of digital markets, however the dynamics of the strategy in such markets is often different. In digital markets, acquisitions may involve small companies providing complementary goods and services in adjacent markets (rather than direct horizontal competitors) as part of an ecosystem (or ‘moat’) building strategy. Alternatively, the acquisition of a series of nascent firms may form part of a strategy to eliminate potential competitive threats, such as in a killer acquisition strategy. The data accumulation strategies of large digital platforms may make it easier for them to identify such nascent threats.

**2. The increased involvement of private equity firms in serial acquisitions and a shift in their strategies has led to heightened concern and scrutiny by some jurisdictions.**

Traditionally there has been a clearer distinction between the strategies of financial buyers, such as private equity (PE) firms, driven by pure short-term financial (profit driven) motivations, and those of strategic buyers who are often existing industry participants pursuing a longer-term goal of improving their market position. In recent times PE firms have adjusted their strategies such that they are more akin to those of strategic buyers. In particular, PE firms have moved towards ‘buy-and-build’ strategies, which involve the use of a platform company to make ‘add-on’ acquisitions of smaller firms in the same industry which are held for longer, leading to market consolidation. The rationales for such strategies can be pro-competitive (such as improving efficiencies through economies of scale/scope, including through better access to debt) or potentially harmful to competition (to increase market power). Concerns about acquisitions undertaken by PE firms, including as part of serial acquisition strategies, include the potentially heightened incentive and/or

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<sup>1</sup> This Executive Summary does not necessarily represent the consensus view of the Competition Committee. It does, however, encapsulate key points from the discussion, the delegates’ written submissions, and the panellists’ presentations.

ability for PE firms to increase prices or reduce quality, the high levels of debt leading to less financial stability, difficulties in detecting and assessing serial acquisition strategies due to lack of transparency, and the potential for interlocking directorates to arise which could facilitate the exchange of confidential information between competing companies. These factors have led to increased scrutiny of PE serial acquisitions in some jurisdictions.

**3. There is the potential for competitive harms from serial acquisitions to evade merger control at the notification stage and during the substantive assessment.**

Firstly, serial acquisitions may not be captured by merger control as each individual transaction may fall below notification thresholds, particularly if notification thresholds are premised at least in part on the size or revenue of the target firm. Therefore, it may be possible for a serial acquirer to accumulate a considerable degree of market power before the authority becomes aware of it. Secondly, even if competition authorities have the opportunity to assess a transaction forming part of a serial acquisition strategy, the impact of the transaction, when considered in isolation, may not have an appreciable impact on competition such that it meets the substantive legal test. However, the cumulative impact of the series of transactions over time could have a significant competitive impact which risks going unaddressed.

**4. The question of whether either of these concerns arise, and thus whether any enforcement gap exists, differs depending on the features of each jurisdiction's merger control regime.**

Some jurisdictions consider there are challenges in addressing serial acquisitions under their existing regimes and are considering legislative changes to fill what they consider to be an enforcement gap, including new call-in powers and additional wording to explicitly allow the competition authority, when assessing a transaction, to consider the cumulative impact of previous acquisitions forming part of a serial acquisition pattern or strategy.

However, specific features already present in other jurisdictions' merger regimes, including some introduced through recent reforms, may address these perceived enforcement gaps. For example, some jurisdictions have introduced call-in powers to allow the authority to assess potentially problematic acquisitions (at least those that they become aware of) that would otherwise have fallen below notification thresholds. Other jurisdictions require certain sectors to notify the authority of acquisitions regardless of whether they meet notification thresholds.

In relation to gaps arising at the substantive assessment stage, some jurisdictions have introduced changes to their assessment process which allow the authority, when assessing a transaction, to take into account the cumulative impact of previous acquisitions made by the acquirer over a particular time period.

**5. Some jurisdictions have used, or consider that they would be able to effectively utilise, a broader suite of enforcement tools, beyond their merger control regime, to help address serial acquisitions.**

Some countries have used ex-post powers to address competition issues arising from serial mergers, although it was noted that these can be resource intensive. These ex post powers include actions taken under the abuse of dominance provisions. Other mechanisms proposed for addressing serial acquisitions include regulatory intervention power. While not all authorities have such powers, some competition authorities may use broad powers to intervene in markets where they determine that there is a lack of effective competition (following a public consultation process). Most authorities can also undertake market inquiries if it is concerned that competition is being restricted or distorted.

**6. Overall, while a number of jurisdictions are concerned that competition harms from serial acquisitions are going unaddressed, the tools and experiences on other jurisdictions can indicate a way forward, although this might require legislative reforms or waiting to address harms ex post rather than intervening ex ante**

While there may not be a ‘one-sized-fits-all’ approach to effectively address serial acquisitions, an overhaul of existing merger control is not likely to be needed. Rather, authorities can look to approaches being utilised in other jurisdictions to potentially supplement their existing toolkit, taking into account the characteristics of both their existing merger (and broader competition) regime and the serial acquisitions phenomenon in their jurisdiction. However, there are disadvantages to some of these options, for example ex-post interventions can be time and resource intensive and can only be used once harm has already occurred (and may still be ongoing).