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25 October 2022

Dear Interested Party

**Request for submissions: Proposed acquisition of Australasian Foods Holdco Pty Ltd (Patties) and Heat to Eat Holdings Pty Ltd (Vesco) by PAG Asia III LP**

The Australian Competition and Consumer Commission (**ACCC**) is seeking your views on the proposed acquisition by PAG Asia III LP of Australasian Foods Holdco Pty Ltd (**Patties**) and Heat to Eat Holdings Pty Ltd (**Vesco**) (**Proposed Acquisition**).

PAG Asia III LP is an investment fund that is part of the PAG investment management group (**PAG**). PAG does not currently have any investments in businesses that supply ready meal, savoury or snacking products in Australia. The competitive overlap that arises as a result of the Proposed Acquisition is between the two targets, Patties and Vesco.

Patties and Vesco manufacture and supply frozen and chilled ready meals, and other savoury and sweet frozen packaged foods in Australia.

Further details about the products and brands supplied by Patties and Vesco are provided at **Attachment A**.

The ACCC's investigation is focused on the impact of the Proposed Acquisition on competition. In particular, we are seeking your views on:

- the extent of competition between Patties and Vesco, and the degree to which other companies compete with Patties and Vesco in the supply of ready meals, particularly in the supply of 'health and wellness' ready meals;
- the extent to which consumers consider chilled and frozen ready meals to be substitutable, particularly in the supply of 'health and wellness' ready meals (taking into account factors such as price, quality, convenience and shelf life);
- how easily manufacturers of chilled ready meals can switch to manufacturing frozen ready meals, and vice-versa; and
- the extent to which ready meals at grocery stores compete with direct-to-consumer meal delivery services, particularly in the supply of 'health and wellness' ready meals.

Further issues you may wish to address are set out in **Attachment B**.

This matter is public and you can forward this letter to anybody who may be interested.

The legal test which the ACCC applies in considering the Proposed Acquisition is in section 50 of the *Competition and Consumer Act 2010* (Cth). Section 50 prohibits acquisitions that are likely to have the effect of substantially lessening competition in a market.

Please provide your response by no later than **5pm on 11 November 2022**. Responses may be emailed to [mergers@acc.gov.au](mailto:mergers@acc.gov.au) with the title: **Submission re: Patties/Vesco – attention Mark Rakers / Louise Kelly**. If you would like to arrange a time to discuss the matter with ACCC officers, or have any questions about this letter, please contact Mark Rakers on (03) 9290 1803 or Louise Kelly on (03) 9658 6412.

Updates regarding the ACCC's investigation will be available on the ACCC's Public Mergers Register at ([ACCC Mergers Register](#)).

#### **Confidentiality of submissions**

The ACCC treats sensitive information it receives during a merger review as confidential, and will not publish your submission. We will not disclose submissions to third parties (except our advisors/consultants) unless compelled by law (for example, under freedom of information legislation or during court proceedings) or in accordance with s155AAA of the *Competition and Consumer Act 2010* (Cth). Where the ACCC is required to disclose confidential information, we will notify you in advance where possible so that you have an opportunity to be heard. Therefore, please clearly indicate if any information you provide is confidential. Our [Informal Merger Review Process Guidelines](#) contain more information on confidentiality.

Yours sincerely



Suzie Copley  
General Manager  
Policy, Coordination and Remedies Branch  
Mergers, Exemptions and Digital Division

## Attachment A

### Proposed Acquisition

The Proposed Acquisition is intended to be implemented by PAG simultaneously acquiring Patties and Vesco.

### Acquirer – PAG

PAG Asia III LP is an investment fund that is part of the PAG investment management group, which is one of Asia's largest independent alternative investment management groups with approximately US\$50 billion in assets under management. PAG does not currently have any investments in businesses that supply ready meal, savoury or snacking products in Australia.

### Target 1 – Patties

Patties is a manufacturer and supplier of frozen and chilled ready meals, and other savoury and sweet frozen packaged foods in Australia.

Patties supplies its products under a variety of brand names including: *Four'n Twenty*, *Patties Foods*, *Herbert Adams*, *Ruffie Rustic*, *Leader* and *Nannas*.

Patties also manufactures and supplies frozen ready meal products under the *Weight Watchers* brand (pursuant to a licencing agreement with Kraft Heinz) and under the *Fitness Outcomes* brand (pursuant to a licencing agreement with Fitness Outcomes). Patties also produces and sells chilled pasta and sauce products under the *Leggo's* brand (pursuant to a licensing agreement with Simplot).

Patties is a private label supplier of frozen and chilled ready meals to Woolworths.

Patties supplies its products through the grocery channel, convenience stores, quick service restaurants and the food service industry.

### Target 2 – Vesco

Vesco is a manufacturer and supplier of frozen ready meals.

Vesco supplies its products under a variety of brand names including: *Super Nature* and *On the Menu*.

Vesco also manufactures and supplies frozen ready meal products under the *Lean Cuisine* brand (pursuant to a licencing agreement with Nestlé) and under the *Annabel Karmel* brand (pursuant to a licensing agreement with Annabel Karmel).

Vesco is a private label supplier of frozen ready meals to Coles, Woolworths and Aldi.

Vesco supplies its products through the grocery channel and the food service industry (under Vesco's 7 Star and Enrico brand names) in Australia.

## **Attachment B**

1. Please provide a brief description of your business or organisation.
2. Please outline the reasons for your interest in the Proposed Acquisition, including any products you purchase from, or supply to, Patties or Vesco, or any commercial relationships you have with Patties or Vesco.

### **Closeness of competition in the supply of frozen ready meals**

3. How closely do Patties and Vesco compete with each other in the supply of frozen ready meals in Australia? In particular, please note any key similarities and differences in the frozen ready meals provided by Patties and Vesco, including price, quality, variety, service levels, manufacturing process or any ancillary services.
4. Please identify and describe the competing suppliers of frozen ready meals in Australia, including the extent to which they compete with Patties and Vesco, and their relative size and product offerings compared with Patties and Vesco.

### **Closeness of competition in the supply of 'health and wellness' ready meals**

5. How closely do Patties and Vesco compete with each other in the supply of 'health and wellness' ready meals in Australia? In particular, please note any key similarities and differences in the 'health and wellness' ready meals provided by Patties and Vesco, including price, quality, variety, service levels, manufacturing process or any ancillary services.
6. Please identify and describe the competing suppliers of 'health and wellness' ready meals in Australia, including the extent to which they compete with Patties and Vesco, and their relative size and product offerings compared with Patties and Vesco.

### **Substitutability of chilled and frozen ready meals**

7. Do consumers regard chilled and frozen ready meals to be substitutes? In particular, please comment on whether chilled and frozen ready meals compete closely in the 'health and wellness' category (taking into account factors such as price, quality, convenience and shelf life).
8. How readily can suppliers switch from manufacturing chilled ready meals to manufacturing frozen ready meals and vice versa? Are there any recent examples of suppliers switching between manufacturing chilled and frozen ready meals?

### **Substitutability of grocery channel and direct-to-consumer channel in the supply of ready meals**

9. Do consumers regard ready meals acquired through the grocery channel to be substitutable with direct-to-consumer ready meal services (such as meal delivery services)? In particular, please comment on whether ready meals acquired through the grocery and direct-to-consumer channels compete closely in the 'health and wellness' segment.

### **Competitive constraint from new entry or expansion**

10. What are the barriers to entry or expansion for suppliers of chilled or frozen ready meals in Australia? You may wish to comment on:
  - a) set-up costs for a new entrant or expansion costs for an existing competitor;

- b) whether new entrants need to secure customers before entry and, if so, the minimum scale required for new entry;
  - c) timeframes for new entry or expansion; and
  - d) any regulatory requirements or barriers to new entry or expansion.
11. Are there any recent examples of entry or exit in the market for the supply of chilled or frozen ready meals in Australia? Are there any potential new suppliers of chilled or frozen ready meals in Australia?
12. Please comment on the extent of any actual or potential direct competition from imported chilled or frozen ready meals.

**Other information or competition issues**

13. Please provide any additional information or comments, or identify other competition issues, that you consider relevant to the ACCC's consideration of the Proposed Acquisition under section 50 of the *Competition and Consumer Act 2010* (Cth).