



CAK DECISION ON PROPOSED ACQUISITION OF 54.9% OF THE ISSUED SHARE CAPITAL IN METROPOLITAN HOSPITAL HOLDINGS LIMITED BY METRO GROUP PLC FROM EVERCARE METROPOLITAN LIMITED

1. The Competition Authority of Kenya has approved the proposed acquisition of control of Metropolitan Group Holdings by Metro Group PLC unconditionally.
2. **Metro PLC Group**, the acquiring undertaking, is a company incorporated in Kenya and its principal business activity is investment in the healthcare sector through its stake in the target undertaking and investment in real estate and financial instruments.
3. Metropolitan Hospital Holdings, the target undertaking, is incorporated in Kenya. It is a holding company offering out-patients and in-patient healthcare services, through its two subsidiaries, Metropolitan Hospital Limited and Ladnan Hospital Limited.
4. The proposed transaction involves acquisition of control of Metropolitan Group Holdings by Metro Group PLC. The transaction therefore qualified as a merger within the meaning of Section 2 and 41 of the Competition Act No. 12 of 2010.
5. Control during a merger/takeover may be procured through, *inter alia*:
 - i. Acquiring over 50% of the issued shares;
 - ii. Majority votes cast at a general meeting; and
 - iii. Acquisition of powers to veto key decisions.



6. The parties' combined and relevant turnover for the preceding year was **over Sh1 billion**. The transaction therefore met the threshold for mandatory notification and full merger analysis as provided in the **Competition (General) Rules, 2019**.

7. The acquirer's principal business activity is investment in the healthcare sector and in real estate and financial instruments while the target, through its subsidiaries, is involved in the provision of healthcare services.

8. Services offered by Health Care Providers in Kenya can be grouped into three main categories: primary care, secondary care and tertiary care.
 - a) Primary care refers to the day-to-day healthcare given by a health care provider. Typically, this is the medical intervention provided at first contact for first time patients and those in need of continuing care. Patients are attended to by professionals such as general practitioners, clinical officers, and nurses, among others.

 - b) Secondary care consists of healthcare services provided by specialists who typically do not have first contact with patients. They include, but are not limited to, cardiologists, urologists, endodontists, psychiatrists, clinical psychologists, occupational therapists and maxillofacial surgeons.

 - c) Tertiary care is specialized consultative health care. This includes cancer management, neurosurgery, and cardiac surgery, plastic surgery, advanced neonatology services, palliative and other complex medical and surgical interventions. Such services are usually provided on referral.

9. In Kenya, these services are provided by public hospitals, private hospitals and faith and community-based hospitals. Generally, public, faith and community based hospitals are



- low-cost and they mainly serve low-income earners and members of the National Hospital Insurance Fund (NHIF). Private hospitals tend to be more expensive and serve upper-income, middle income earners, and holders of private insurance covers.
10. Services provided by public hospitals and private hospitals are not easily substitutable in terms of the quality of services and facilities as well as price. Therefore, the product market for analysis of the proposed transaction was determined as the market for provision of **private healthcare services**.
 11. Further, it was determined that the relevant geographic market differs according to the type of service offered. For outpatient services, the market is local (where a facility is based and neighboring areas). For inpatient services, the market may be regional or national for specialized inpatient services such as dialysis, gynecology and oncology.
 12. Based on this, the relevant geographic market is local for outpatient services was determined as Eastlands (Nairobi) while that for inpatient services was determined to be Nairobi and the neighboring counties.
 13. According to data from the Kenya Medical Practitioners and Dentists Board, the major players in the markets for private hospital care are: Ruai Family Hospital, Meridian Hospital, Mediheal Group of Hospitals, Avenue Healthcare Hospital, The Nairobi Women's Hospital, The Nairobi West Hospital, The Aga Khan University Hospital, Gertrude's Children's Hospital, Mater Misericordiae Hospital, The Nairobi Hospital, MP Shah Hospital, Coptic Hospital, Radiant Group of Hospitals, Komarock Modern Healthcare, Kenyatta National Hospital (Private Wing).

14. According to the 2019 Kenya Master Health Facilities List, there are a total of 11,979 health facilities in Kenya with a capacity of 68,123 beds. 4,793 of these facilities are private hospitals, clinics and medical centers spread across Kenya. Nairobi has 66 private hospitals, Central (43), Coast (27), Nyanza (52), Western (13), Eastern (33), North Eastern (14) and Rift Valley (73).

15. Private Hospitals in Nairobi County have a capacity of approximately 3,000 beds. Currently, Metropolitan Hospital has a bed capacity of 134 while Ladnan Hospital has a bed capacity of 42, thereby giving the target undertaking at total bed capacity of 176 which is equivalent to a market share of 5.8%.

16. During merger analysis, the Authority considers the impact that the proposed transaction will have on competition in the specific market/sector and whether it raises any public interest concerns. **Thereafter, the Authority may approve the transaction with conditions, approve it without conditions, or reject it.**

17. Post-merger, the market share of the target will not change and, therefore, the structure and concentration of the market for provision of healthcare services by private hospitals in Nairobi will not be affected since the transaction involves the acquirer increasing its stake in the target. Additionally, the merged entity will continue to face competition from the other private hospitals, and to a lesser extent, from faith-based and public hospitals.



18. Based on the foregoing, the proposed transaction is unlikely to lead to substantial lessening or prevention of competition in the market for provision of healthcare services by private hospitals in Nairobi and its environs
19. During merger analysis, the Authority also considers the impact that a proposed transaction will have on public interest. The public interest concerns considerations include;
- i. extent to which a proposed merger would impact employment opportunities;
 - ii. impact on competitiveness of small and medium enterprises (SMEs);
 - iii. impact on particular industries/sectors; and
 - iv. impact on the ability of national industries to compete in international markets.
20. The transaction is not expected to raise any public interest concern since the acquirer is simply increasing shareholding in the target.
21. Based on the foregoing, the Authority approved the proposed acquisition of control of Metropolitan Group Holdings by Metro Group PLC unconditionally.