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News story

# CMA provisionally clears Amazon's investment in Deliveroo

In light of a deterioration in Deliveroo's financial position as a result of coronavirus (COVID-19), the CMA has provisionally cleared Amazon's investment in Deliveroo.

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After completing an initial, Phase 1, investigation, the Competition and Markets Authority (CMA) was concerned that the deal could damage competition by discouraging Amazon from re-entering the online restaurant food market and further developing its presence within the online convenience grocery delivery market in the UK.

The CMA has continued to investigate these concerns during its in-depth, Phase 2, investigation. However, in recent weeks, it has become clear that the coronavirus pandemic is having a significant negative impact on Deliveroo's business.

The CMA's investigation has found that Deliveroo is, in many respects, a highly successful company which has grown strongly and now accounts for a significant share of the online restaurant platform market in the UK. As a developing business, Deliveroo is, however, particularly reliant on continued investment to be able to support its operations.

The ongoing 'lockdown' in the UK has resulted in the closure of a large number of the key restaurants available through Deliveroo, and a significant decline in revenues. While Deliveroo has sought to expand its supply of convenience groceries during the crisis, these sales are limited and have not made up for losses in its restaurants business. As a result, Deliveroo recently informed the CMA that the impact of the coronavirus pandemic on its business meant that it would fail financially and exit the market without the Amazon investment. Deliveroo's submission was supported by evidence from the company's financial advisers.

The CMA has been considering this new evidence as a matter of urgency. It has provisionally concluded that Deliveroo's exit from the market would be inevitable without access to significant additional funding, which the CMA considers that only Amazon would be willing and able to provide at this time. While securing additional funding from other sources may have been possible before the coronavirus outbreak, the pandemic has severely limited the availability of finance for early-stage businesses such as Deliveroo. The CMA currently considers that the imminent exit of Deliveroo would be worse for competition than allowing the Amazon investment to proceed and has therefore provisionally found that the deal should be cleared.

Stuart McIntosh, Chair of the CMA's independent inquiry group, said:

These wholly unprecedented circumstances have meant reassessing the focus of this investigation, reacting quickly to the impact of the coronavirus and deciding what it would mean for the businesses involved in this transaction and, in turn, for customers.

Without additional investment, which we currently think is only realistically available from Amazon, it's clear that Deliveroo would not be able to meet its financial commitments and would have to exit the market. This could mean that some customers are cut off from online food delivery altogether, with others facing higher prices or a reduction in service quality. Faced with that stark outcome, we feel the best course of action is to provisionally clear Amazon's investment in Deliveroo.

The CMA is now asking for views on these provisional findings by 17:00 Monday 11 May 2020 and will assess all evidence provided before making a final decision. The statutory deadline for the CMA's final report is 11 June 2020.

For more information, visit the Amazon / Deliveroo merger inquiry page. (<https://www.gov.uk/cma-cases/amazon-deliveroo-merger-inquiry>)

### **Notes to editors:**

1. The CMA is the UK's primary competition and consumer authority. It is an independent non-ministerial government department with responsibility for carrying out investigations into mergers, markets and the regulated industries and enforcing competition and consumer law. For CMA updates, follow us on Twitter, Facebook, and LinkedIn.
2. On 27 December 2019, the CMA referred the acquisition by Amazon of a minority shareholding and certain rights in Deliveroo for a Phase 2 investigation.
3. During a Phase 2 investigation, the CMA must assess the impact of a merger against the most likely scenario that would have occurred absent the merger ('the counterfactual'). One possible situation is the 'exiting firm scenario', where the CMA needs to consider whether one of the businesses may have left the market absent the merger, and the impact of this on competition.
4. In this case, the CMA has provisionally found that Deliveroo may exit the market absent the investment from Amazon, which the CMA currently considers would be worse for consumers than allowing the transaction to proceed.

5. All the CMA's functions in phase 2 merger inquiries are performed by inquiry groups chosen from the CMA's panel members. The members of this inquiry group are Stuart McIntosh (Chair), Humphrey Battcock, Paul Hughes and Claire Whyley. The CMA's panel members come from a variety of backgrounds, including economics, law, accountancy and/or business; the membership of an inquiry group usually reflects a mix of expertise and experience.
6. There is now a 3-week consultation period on the provisional findings, during which time anyone can make submissions to the CMA. Submissions should be made to [amazon.deliveroo@cma.gov.uk](mailto:amazon.deliveroo@cma.gov.uk) and received by Monday 11 May 2020.
7. Media enquiries to the CMA should be directed to [press@cma.gov.uk](mailto:press@cma.gov.uk).

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