



THE PROPOSED ACQUISITION OF 54.237% OF AAR HEALTH CARE HOLDINGS LIMITED'S ISSUED SHARE CAPITAL BY HOSPITAL HOLDINGS INVESTMENT B.V

1. The Competition Authority of Kenya has approved the proposed acquisition of 54.237% of issued shares of AAR Health Care Holdings Limited by Hospital Holding Limited unconditionally.
2. Hospital Holding Limited, the acquiring undertaking, is as a non-operational investment holding company making equity investments in clinics and hospital chains across East Africa. The acquirer is currently constructing a hospital in Kenya.
3. AAR Health Care Holdings Limited, the target undertaking, is incorporated in Kenya. AAR is an operational holding company which owns and operates 40 primary care clinics in East Africa and a hospital in Uganda. In Kenya, AAR runs 21 primary outpatient healthcare clinics which provide consultation, laboratory, pharmacy and basic radiology services.
4. AAR's controlling shareholder controls several other entities involved in insurance business. The proposed transaction only involves AAR Healthcare Holdings Limited.
5. The proposed transaction involves the acquisition of 54.237% of the issued shares of AAR Health Care Holdings Limited by Hospital Holding Limited resulting in acquisition of control over the target by the acquirer. The transaction therefore qualified as a merger within the meaning of Section 2 and 41 of the Competition Act No. 12 of 2010.
6. The parties' combined and relevant turnover for the preceding year was **over Sh1 billion**. The transaction therefore met the threshold for full merger analysis as provided in the **Merger Threshold Guidelines**.
7. The acquirer does not have a commercial presence in Kenya. In addition to constructing a hospital, the acquirer is targeting equity investments in clinics and hospital chains across East Africa. The target operates 21 primary outpatient healthcare clinics in Kenya.
8. Therefore, the relevant product market for purposes of analyzing the proposed transaction is the market for **provision of healthcare services**.
9. The target undertaking offers its services throughout the country. Therefore, the Authority determined that the relevant geographical market for analyzing the proposed transaction is national.

10. 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.
11. The target offers primary healthcare services through 21 clinics. Kenya has approximately 3,330 private primary healthcare facilities. Therefore, AAR's market share in Kenya is estimated to be 0.6%.
12. Post-merger, there will be no change in the market structure and concentration since the acquirer is not in the same line of business. Additionally, the acquirer will face competition from other players who control 99.4% of the market.
13. Based on the foregoing, it is the Authority's view that the proposed transaction is unlikely to lead to substantial lessening or prevention of competition in the market for inpatient and outpatient healthcare services.
14. During merger analysis, the Authority also considers the impact that a proposed transaction will have on public interest. These 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.
15. The parties have indicated that do not envision the loss of employment as a result of the transaction. The parties also stated that the contractual terms and agreements of the merged entity's employees will not change. Post-merger, the parties have indicated the strategic intent to invest in more clinics, increasing employment opportunities.
16. Further, the proposed transaction will occasion investment by entities by parties that

previously did not have a presence locally, highlighting Kenya's attractiveness as an investment destination.

17. Premised on the above the, Authority approved the proposed acquisition of 54.237% of issued shares from AAR Health Care Holdings Limited by Hospital Holding Limited unconditionally.