

COMPETITION COMMISSION SUITABLE PURCHASER CRITERIA

In order for Stagecoach Group plc (Stagecoach) to dispose of the Divestiture Package, the CC must be satisfied that any purchaser of the Divestiture Package meets the suitable purchaser criteria and is therefore granted Approved Purchaser status.

This annex sets out the criteria that a purchaser must satisfy to be approved by the CC as a suitable purchaser, and details the type of evidence that the CC will require in order satisfy itself that the criteria have been satisfied. The CC may seek further information from Stagecoach and/or potential purchasers in the approval process and all information received from the purchaser shall be confidential. The CC may approve one or more suitable purchasers.

Purchaser suitability criteria

Independence

The purchaser should have no significant connection to Stagecoach that may compromise its incentives to compete. The CC requires the following evidence:

- Confirmation that the purchaser and/or any controlling shareholder does not hold an equity interest in Stagecoach.
- Details of any existing trading relationships between Stagecoach and the purchaser.
- Details of any transitional arrangements so that the CC can satisfy itself that there are no ongoing links with Stagecoach post-completion.
- Copies of sale and purchase documentation, transitional services agreements, and details of any other agreements or arrangements post-completion.
- The CC takes a cautious approach to restrictive covenants. The CC may accept a limited period of no longer than 12 months, where this can be demonstrated as being necessary to enable the purchaser to establish itself as an effective competitor.

Capability

The purchaser must demonstrate that it has access to appropriate expertise, assets and financial resources, to enable the reconfigured PBL to be an effective competitor in the commercial bus market in the Preston area. The CC requires as a minimum, the following evidence:

- Details of the business integration strategy, including organization charts reflecting the proposed structure of the combined business, management team, description of the arrangements that the purchaser intends to implement to replace support services currently supplied by Stagecoach, including timetables.
- Details of the acquisition financing strategy, and appropriate supporting evidence of the availability of funds to complete the acquisition.

- Details of the financial profile of the combined business. To the extent that the purchaser plans to combine a reconfigured PBL with an existing business, the CC requires summary projections for the next three years and proposed capital structure of the enlarged business.
- Description of pension arrangements post-completion.
- The most recent audited financial statements for the acquiring business and management accounts (or equivalent) for the acquiring business detailing financial performance in the current financial year.

Commitment to the market

The CC will wish to satisfy itself that the purchaser has an appropriate business plan and objectives for competing in the commercial bus services market in the Preston area. The CC requires the following evidence:

- A business plan or strategy document describing the purchaser's intentions to develop a reconfigured PBL over the next three years.

Absence of competitive or regulatory concerns

The CC will wish to satisfy itself that the acquisition of a reconfigured PBL will not give rise to a realistic prospect of new competition concerns. The CC requires:

- Details of existing commercial bus services operated by the purchaser in the Preston area.
- Details of any pre-notification discussions that the potential purchaser has held with the Office of Fair Trading.