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MicroStar's proposed acquisition of certain assets of Konvoy

Report for Minter Ellison Rudd Watts

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1. Introduction

1. US incorporated MicroStar operates the Kegstar brand in Australia and New Zealand. MicroStar proposes to acquire certain Australian and New Zealand assets of Konvoy (**"the Proposed Transaction"**). We have prepared a report for Minter Ellison, counsel to MicroStar for the Australian aspect of the Proposed Transaction, assessing the competitive effects in Australia of the Proposed Transaction.
2. We have also been asked by Minter Ellison Rudd Watts, counsel to MicroStar for the New Zealand aspect of the Proposed Transaction, to assess the competitive effects in New Zealand. The analyses we carry out and describe in this report are similar to those for our Australian report, although we also address some specific issues set out in the Commerce Commission's 3 December 2025 Statement of Unresolved Issues (**"the SOUI"**).
3. An economic problem faced by brewers is getting their beer from the brewery to the point of consumption at a pub or other venue. There appear to be a variety of ways this can be done (individually or in combination) by a brewer:
   A. Buying or leasing kegs and coordinating logistics in-house;
   B. Buying or leasing kegs and outsourcing logistics;
   C. Outsourcing keg ownership and reverse logistics (the pay per fill or **"PPF"** model, which Kegstar and Konvoy both operate);
   D. Buying plastic kegs and coordinating logistics in-house or outsourcing logistics; and
   E. Using cans or bottles instead of kegs.
4. Each of these solutions has the same economic function, each with its own advantages and disadvantages from the perspective of the brewer.
5. In effect, solution C (the PPF model) involves the brewer buying a bundled keg and logistics solution from a PPF provider. We can think of solutions A and B as being **"unbundled"** solutions for the brewer, in that the keg and logistics components are arranged separately, whether they are in-housed or outsourced.
6. As we will explain in this report, and in common with other transport networks, the cost effectiveness of keg transport is a function of economies of density. Density in this context refers to the geographic concentration of brewers and the destination of their end customers (e.g., pubs). A greater geographic concentration of brewers and/or end customers results in lower freight costs as all other things being equal:
   A. Trucks would be more highly utilised and would travel shorter distances; and
   B. Kegs would be more highly utilised since they can be used again more quickly.
7. The business model of a PPF provider is to harness this density and consequently offer brewers a cost-effective alternative to unbundling.

2. Overview of our findings

8. Kegstar has been []. Konvoy is now in receivership. The evidence implies this is because [] is currently enjoying the required economies of density to enable them to sustainably compete for the business of brewers.
9. Accordingly, the counterfactual cannot be the status quo.
10. The most obvious counterfactual is Konvoy exiting the market. Against that exit counterfactual, there can be no substantial lessening of competition arising from the Proposed Transaction.
11. Any other counterfactual (e.g., the [])[1] requires some unrealistic assumptions. Even at current PPF pricing, the evidence shows that alternative solutions are widely used by brewers. Hence, any material price increase by counterfactual PPF providers is unlikely to be profitable as brewers would switch to an alternative solution. Yet it would seem the NZCC's counterfactual would require material (and sustained) price increases to plug the losses, given the unsustainability of the status quo.
12. Against this counterfactual there would also not be a substantial lessening of competition:
    A. The merged entity would benefit from improved economies of density, lowering its costs.
    B. Brewers would continue to have the economic option of switching to an unbundled solution, in part or in whole – the relevant market includes unbundled solutions.
    C. Konvoy would not be a closer rival than an unbundled solution. Indeed, Konvoy is likely to become even less competitive under the []. Data from the US on outcomes in states with a single versus two PPF providers implies that having a second PPF provider does not add to the constraint on the primary PPF provider from unbundled supply.

[1] [30] of the SOUI.

3. []

3.1. []

13. []

14. [].[2]

15. []

    A. []

    B. []

    C. The New Zealand market is likely to lack the necessary density to support two PPF service providers. Under a counterfactual in which it is assumed two PPF providers would be sustainable, [].

3.2. [] evidence implies the New Zealand market cannot sustain two PPF providers

16. [].[3] [].[4] Additionally, Konvoy entered receivership/administration on March 11, 2025, followed by liquidation on May 30, 2025.[5]

Table 3.1: []

[]

[]

17. []

18. [].[6] [].[7] []

19. []

20. []

Table 3.2: []

[]

[2] []

[3] []

[4] []

[5] NZCC, Kegstar New Zealand Limited/Konvoy New Zealand Limited – Statement of Issues, 25 September 2025, (**"NZCC SOI"**), para 26.

[6] []

[7] []

[]

21. [].[8]

22. [].[9]

23. It is likely that [] because there are not currently the required economies of density to enable them to sustainably compete for the business of brewers.

24. As is the case more generally for transport,[10] economies of density are likely to be important for PPF services. When markets have greater density, characterised by a larger number and geographic concentration of deliveries or pickups, PPF providers can better utilise their resources leading to lower costs. This includes better utilisation of:[11]

    A. **Kegs**: Since they can be used again more quickly; and

    B. **Trucks**: Due to fewer trips, more kegs per truck, and shorter travel distances.

25. Evidence from MicroStar's operations in the USA indicates that the cost savings from greater economies of density are large. The difference in the cost per pallet of kegs between fitting 12-14 and 45-47 pallets on a truck is [] per mile, dropping the cost per pallet of kegs from [] USD per mile to [] USD per mile.[12] [].[13] [].[14]

26. Kegstar has informed us that its freight in New Zealand and Australia is more efficient in regions with larger populations, as its vans can collect more kegs per day in those areas. [].

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8 []

9 []

10 In the waste management industry, Abrate et al. (2014) show that holding the geographic area size, population, and number of buildings constant, the costs of collecting waste increase less than proportionally to the amount of waste collected. The authors conclude that "promoting side-by-side competition, that is, by allowing for the presence of several waste management operators in the same territory, appears to be more costly than franchised monopolies." Graziano Abrate, Fabrizio Erbetta, Giovanni Fraquelli, and Davide Vannoni, "Size and density economies in refuse collection," in *Handbook on Waste Management*, ed. Thomas C. Kinnaman and Kenji Takeuchi (Edward Elgar, 2014) 431. In the freight motor carrier industry, McMullen and Tanaka (1995) state that large carriers "are able to lower unit costs by growing in size and obtaining more traffic, thus increasing average load." B. Starr McMullen and Hiroshi Tanaka, "An Econometric Analysis of Differences between Motor Carriers: Implications for Market Structure," *Quarterly Journal of Business and Economics* 34, no. 4 (1995): p. 25. Keeler (1989) argues "[e]conomies of large-route networks can be thought of as economies of density combined with economies of vertical integration; that is, economies of density stem from combining more traffic on one route. Economies of vertical integration here stem from the fact that if traffic moves from city A to city B to city C, it may be more economical for freight to stay with the same trucking firm from A to C rather than changing firms with trucks connecting at point B in between." Theodore E. Keeler, "Deregulation and Scale Economies in the U. S. Trucking Industry: An Econometric Extension of the Survivor Principle," *Journal of Law & Economics* 32, no. 2 (1989), pp. 231-232.

11 6 August 2025 Presentation to NZCC, slides 12-13.

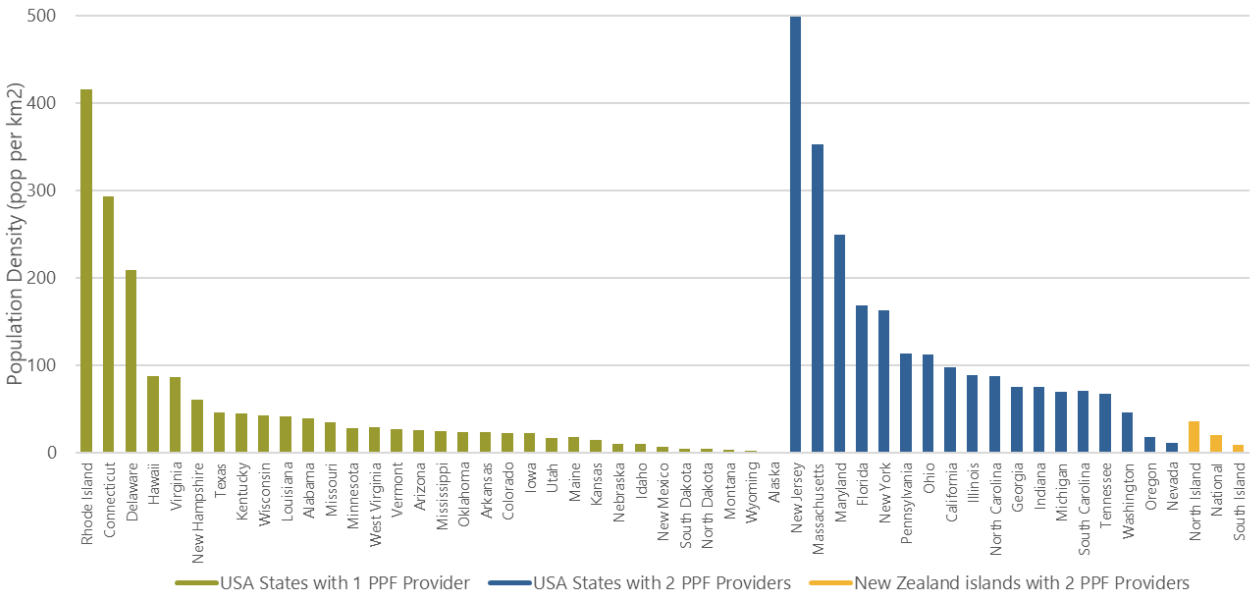
12 6 August 2025 Presentation to NZCC, slide 13.

13 6 August 2025 Presentation to NZCC, slide 12.

14 Calculated from data provided by MicroStar on its average freight cost and volume in each US state.

27. As Figure 3.1 below illustrates, in most US states (33)[15] there is just one PPF provider, and when there is a second PPF provider (18 states) it tends to be in states with relatively high population density.[16] The average population density of New Zealand (20 pop/km^2) is substantially lower than the average population density of 131 pop/km^2 in US states with two PPF providers. The average population density of New Zealand is also lower than the average population density of 54 pop/km^2 in US states with only one PPF provider.[17]

Figure 3.1: Population density by state in the USA and New Zealand



Source: NERA Analysis of United States census data and data from Stats NZ.
Notes: Washington D.C is excluded. The estimates reflect data as of July 2024.

28. It is also notable that when there is a second PPF provider in the US, the second provider []**[18]** and primarily specialises in adjacent offerings like leasing or "pure-play reverse logistics".[19] This suggests that even where economies of density are sufficient to support two PPF providers, they are only just sufficient.

29. The analysis in this section 3.2 implies the New Zealand market is likely to lack the necessary density to support two PPF service providers.

30. If the Proposed Transaction does occur, MicroStar expects there to be significant cost synergies from the resulting increase in economies of density. MicroStar estimates that these transaction

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15 32 states if Washington D.C is excluded. Washington D.C is excluded from the figure since it is a US district (essentially a city) rather than a state. There is one PPF provider in Washington D.C, which has a population density of 4,445 pop/km^2.

16 There is a positive correlation of 0.35 between population density in the USA and the number of PPF providers. The correlation was calculated excluding Washington D.C.

17 Average population density calculated excluding Washington D.C.

18 Calculated as the average share of the provider with the smaller share of kegs collected in US states with two PPF providers. Calculated using data provided by MicroStar on each providers' share of fills in US states.

19 BCG Report, slide 10, 38. The BCG Report does not provide a definition for "pure-play reverse logistics".

synergies would lead to a [] reduction in COGS and overheads across Australasia by 2028, relative to the combined costs of Kegstar and Konvoy in 2025.[20] We return to the issue of cost savings below.

3.3. []

31. The [] and receivership described in section 3.2 above imply that the most likely counterfactual to the merger is Konvoy exiting the market. We will refer to this as the **"Konvoy Exit Counterfactual"**.

32. However, despite Konvoy's [] and receivership, the NZCC stated the following at [30] of the SOUI (footnotes omitted):

    Our current view regarding the counterfactual is that in the absence of the Proposed Acquisition, there is a real chance that Konvoy would continue to provide PPF services in competition with Kegstar. We consider there are two likely counterfactual scenarios; namely:

    30.1 []

    30.2 []

33. These two counterfactuals (which we will refer to as the **"Status Quo"** and [] respectively) require some unrealistic assumptions. Even at current PPF pricing, the evidence shows that alternative solutions are widely used by brewers (see section 4.1 below). So, any material price increase by [] is unlikely to be profitable. []

34. []

35. []

    A. []

    B. []

36. Below we present the results for scenario A. The results for scenario B are included in Appendix B of this report. Under scenario A, []. This results in a [] than under Scenario B for [].

3.3.1. []

37. In this section 3.3.1 we outline the [] under the Status Quo. This analysis assumes there will be no change to the parties' current volumes (fills) or costs.

38. As the green highlighted row in Table 3.3 below sets out, if the Status Quo is maintained, we estimate that [] and [].[21] This would [].[22]

39. In addition, for Kegstar [] and Konvoy [] in the Status Quo, []. As the yellow highlighted row in Table 3.3 shows, if a [] is assumed, [] and [].[23]

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20 Slide 21 of MicroStar's 1 July 2025 presentation to ACCC staff.

21 []

22 []

23 []

Table 3.3: []

[]

[]

3.3.2. []

40. In this section 3.3.2 we outline the [] necessary for the combined entity under the Proposed Transaction, as well as for Kegstar and the [] under the [], to []. This analysis assumes there will be no change to the parties' current volumes (fills) or costs.

41. MicroStar anticipates that the Proposed Transaction would generate substantial cost synergies for the Australasian business. This means the combined Australasian entity would likely have significantly lower costs (via lower COGS due to increased density and lower SG&A due to consolidation) compared to the cumulative costs of the individual firms in the Status Quo.[24]

42. MicroStar considers that some cost synergies could also be realised under the []. However, MicroStar considers that these synergies would likely not be as significant as those achievable under the Proposed Transaction. [].[25]

43. Since MicroStar's synergies are estimated at an Australasian level, we do not have specific synergy estimates for the New Zealand segments of Kegstar and Konvoy. To address this, we assume that the New Zealand segments of Kegstar and Konvoy would realise synergies in proportion to their size relative to the broader Australasian businesses . For instance, under the Proposed Transaction, we estimate that []of the Australasian COGS synergies would be realised in New Zealand, as Kegstar and Konvoy's combined 2025 New Zealand COGS represent [] of their total combined 2025 Australasian COGS.

44. Due to MicroStar's expectation that cost synergies would be the largest under the Proposed Transaction, [] than under the Proposed Transaction for the PPF providers to [].

45. As the green highlighted row in Table 3.4 below shows, we estimate that the combined entity []. In contrast, under the [] and the Status Quo, [].

46. []. However, under the [] and Status Quo, []. This is set out in the yellow highlighted row in Table 3.4 below.

[24] []

[25] 1 July 2025 Presentation to ACCC, slide 22.

Table 3.4: []

	Proposed Transaction	[]	Status Quo
[]	[]	[]	[]
[]	[]	[]	[]
[]	[]	[]	[]
[]	[]	[]	[]
[]	[]	[]	[]
[]	[]	[]	[]

[]

47. The [] under the Proposed Transaction in Table 3.4 above only reflect the costs synergies expected by MicroStar in the first year after the transaction. MicroStar expects that the full cost synergies of the Proposed Transaction would not be realised until FY28. Hence, as the highlighted row in [] below shows, we estimate that [].

Table 3.5: []

[]

[]

48. We emphasise that [] are not what we would expect to see occurring with the Proposed Transaction, because for the reasons explained in the next section, PPF prices are constrained by the ability of brewers to unbundle. For the merged entity, the point of these calculations is to emphasise the importance of the merged entity increasing its volumes to access increased economies of density and therefore lower its costs – it would need to do this in order to earn a competitive return on its capital. The Proposed Transaction would provide more scope for this, while a counterfactual with two PPF providers would inhibit this.

3.4. Conclusions on counterfactual

49. In our view, the most likely counterfactual is the Konvoy Exit Counterfactual. If Konvoy is assumed to continue under the counterfactual (under the Status Quo or the []), it is likely that [].

50. As noted, we struggle with the realism of the Status Quo and the [] because we do not think []. The more realistic prospect is the Konvoy Exit Counterfactual.

4. Market definition

4.1. Application of SSNIP test

51. At [33] of the SOUI, the NZCC reaffirms its view on market definition from the SOI that:[26]

> *52. […] the markets which best isolate the potential competition issues that might arise from the Proposed Acquisition were national markets for the supply of PPF services to:*
>
> *A. small, medium and large brewers with their own pubs;*
>
> *B. small, medium and large brewers without their own pubs; and*
>
> *C. microbrewers and brewpubs.*

53. The NZCC considers separate customer markets to be appropriate given the NZCC's view that:[27]

> *54. […] the merged entity could identify and price discriminate for customer groups according to their differing abilities to switch to competitive alternatives outside of the PPF services (such as self-supply).*

55. Notably, the NZCC does not consider self-supply to be a sufficient constraint to include in its market definition.[28]

56. Out of its three customer markets the NZCC identified small, medium and large brewers without their own pubs as the group that is:[29]

> 57. *[…] most reliant on PPF solutions, have limited ability to switch from PPF services to self-supply and would find it the most challenging to own or manage their own keg fleets*.

58. In particular, the NZCC considers that small, medium and large (**SML**) brewers who distribute their kegs further then their local region and do not have a network of their own bars, pubs or restaurants, to be the most captive to PPF services.[30] As far as we can tell, the NZCC does not define what it means by "local area".

59. Focussing on the product dimension for the moment, suppose there was a hypothetical monopolist over the ostensible "PPF Services" market – could it profitably impose a SSNIP? If it could not, then the market should be drawn more broadly.[31]

60. Given the degree to which customers in that ostensible market (brewers) already "self-supply" or "unbundle", it seems unlikely that a hypothetical monopolist over this ostensible "PPF Services" market could profitably impose a SSNIP.

61. As noted in section 1 of this report, each keg logistics solution has advantages and disadvantages from the perspective of the brewer. If we observe brewers in a similar situation

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26 NZCC SOUI paras 11 to 11.3.

27 NZCC SOUI para 34.

28 NZCC SOUI para 35.

29 NZCC SOUI para 41; NZCC SOI para 59.

30 NZCC SOUI para 44.

31 [3.20] of the NZCCs *Mergers and acquisitions Guidelines*, May 2022.

(e.g., SML brewers without pubs supplying outside their local area) using different solutions in material proportions, this would suggest those different solutions compete in the same market.

62. The proportion of beer brewers that utilise an unbundled keg solution and/or PPF for their supply is shown in Table 4.1 below.[32] For an expanded table that includes a breakdown for all keg solutions, see Appendix C. These proportions are likely to be dynamic – for example, they would likely change in response to the price of PPF services changing.

63. Many brewers utilise multiple keg solutions for their supply, resulting in their inclusion across multiple variables. Consequently, the variables presented in Table 4.1 below should be interpreted as follows:

    A. **Unbundled**: includes brewers who use an unbundled keg solution for at least a portion of their supply. Brewers included may also use other solutions in addition to unbundling.

    B. **Unbundled and no PPF**: includes brewers who use an unbundled keg solution for at least a portion of their supply and do not use PPF. Brewers included may also use other (non-PPF) solutions in addition to unbundling.

    C. **PPF**: includes brewers who use PPF for at least a portion of their supply. Brewers included may also use other solutions in addition to PPF.

    D. **PPF only**: includes brewers who use only PPF. Does not include brewers using an unbundled solution, plastic kegs, or serving tanks.

    E. **Unbundled and PPF**: includes brewers who use an unbundled keg solution and PPF for at least a portion of their supply. Brewers included may also use other solutions in addition to unbundling and PPF.

    F. **Brewers in brewer category**: includes the number of brewers in each brewer category (e.g., SML with pub) and the percentage of all known brewers that are in each brewer category.

64. None of the brewer categories will add up to 100% in Table 4.1 since many brewers use multiple solutions and are thus included in multiple rows. However, some rows will add up to others. For instance, *Unbundled* is the sum of *Unbundled and no PPF* and *Unbundled and PPF*.[33] Similarly, *PPF* is broadly given by the sum of *PPF only* and *Unbundled and PPF,* with the remainder due to brewers who use PPF and an alternative keg solution (plastic/serving tanks) that is not unbundling. *Brewers in brewer category* is broadly given by the sum of *Unbundled* and *PPF only,* with the remainder due to brewers who only use plastic or serving tanks or use PPF and an alternative keg solution (plastic/serving tanks) that is not unbundling.

65. It is important to keep in mind that pricing by Kegstar and Konvoy has been unsustainably low at current volumes, []. Yet, [] of New Zealand brewers still utilise an unbundled keg solution for at least a portion of their supply. In addition, [] of SML brewers with no pub utilise an

[32] The data we received from Kegstar also includes wineries, cider makers, and RTD makers. We only include beer brewers. If the brewer makes a combination of beer, cider, and RTDs they are included. Wine Diamonds New Zealand is listed as a combination brewer; however, we exclude this producer from the analysis since it does not brew beer.

[33] Percentages may not add up due to rounding.

unbundled keg solution for at least a portion of their supply, and only [] SML brewers with no pub only use PPF.

Table 4.1: Keg solutions used by New Zealand brewers (by number of brewers and % of brewer category)

Keg solutions	SML with pub		SML with no pub		Microbreweries		All Known	
	[]	[]	[]	[]	[]	[]	[]	[]
Unbundled	[]	[]	[]	[]	[]	[]	[]	[]
Unbundled and no PPF	[]	[]	[]	[]	[]	[]	[]	[]
PPF	[]	[]	[]	[]	[]	[]	[]	[]
PPF only	[]	[]	[]	[]	[]	[]	[]	[]
Unbundled and PPF	[]	[]	[]	[]	[]	[]	[]	[]
Brewers in brewer category	**[]**	**[]**	**[]**	**[]**	**[]**	**[]**	**[]**	**[]**

Source: NERA analysis of New Zealand brewery data provided to us by Kegstar.
Notes: Unbundled includes owned and leased kegs. Kegstar categorised the brewers as micro, small, medium, and large, using the NZCC's sizing in footnote 3 of the SOI as a guide. Brewers with pub include brewers that actually own pubs/venues, brewery franchise, and venues where a brewer has a 100% tap contract in place. Includes all independent and non-independent non-closed beer brewers in New Zealand that Kegstar was able to identify. Excludes firms that only produce wine, cider, or RTDs. Kegstar notes that it is possible that some small/regional brewers could be excluded given that it does not have access to a comprehensive list of New Zealand brewers.

66. As already noted, the NZCC has expressed the most concern about the reliance on PPF services for brewers who distribute their kegs further then their local region. Particularly, SML brewers who distribute their kegs further then their local region and do not have a network of their own bars, pubs or restaurants.

67. To test this concern, we asked Kegstar what evidence there is that brewers send kegged product outside their local area using specifically an unbundled keg solution. In response, Kegstar provided us with an overview of New Zealand breweries which identifies whether each brewer sends kegged product beyond 10km from its brewery or production site, and whether this is done with an unbundled solution.

68. Table 4.2 below replicates Table 4.1 but only includes brewers that distribute their kegs further than their local region. For an expanded table that includes a breakdown for all keg solutions, see Appendix C. Table 4.2 includes one new row highlighted in green that includes brewers who use an unbundled keg solution to distribute their kegs further than their local region. This variable differs from the *Unbundled* variable since the *Unbundled* variable includes brewers who do not use their unbundled solution to distribute kegs further than their local region (i.e., they may only use their unbundled solution to distribute locally).

Table 4.2: Keg solutions used by New Zealand brewers who supply outside their local area – 10km (by number of brewers and % of brewer category)

Keg solutions	SML with pub		SML with no pub		Microbreweries		All Known	
	[]	[]	[]	[]	[]	[]	[]	[]
Unbundled	[]	[]	[]	[]	[]	[]	[]	[]
Unbundled and no PPF	[]	[]	[]	[]	[]	[]	[]	[]
PPF	[]	[]	[]	[]	[]	[]	[]	[]
PPF only	[]	[]	[]	[]	[]	[]	[]	[]
Unbundled and PPF	[]	[]	[]	[]	[]	[]	[]	[]
Supply outside local area using unbundled	[]	[]	[]	[]	[]	[]	[]	[]
Brewers in brewer category	**[]**	**[]**	**[]**	**[]**	**[]**	**[]**	**[]**	**[]**

Source: NERA analysis of New Zealand brewery data provided to us by Kegstar.
Notes: Unbundled includes owned and leased kegs. Kegstar categorised the brewers as micro, small, medium, and large, using the NZCC's sizing in footnote 3 of the SOI as a guide. Brewers with pub include brewers that actually own pubs/venues, brewery franchise, and venues where a brewer has a 100% tap contract in place. Includes all independent and non-independent non-closed beer brewers in New Zealand that transport beyond their local area that Kegstar was able to identify. Excludes firms that only produce wine, cider, or RTDs. Local area refers to 10km form the brewery/production site. Kegstar notes that it is possible that some small/regional brewers could be excluded given that it does not have access to a comprehensive list of New Zealand brewers.

69. Based on its market knowledge, Kegstar was able to provide answers for [] non-closed brewers who utilise an unbundled keg solution, [] of which supply outside their local area. Out of these [] brewers who supply outside their local area, [] utilise an unbundled keg solution for at least a portion of their supply and [] supply outside their local area specifically with an unbundled keg solution. For SML brewers with no pub that supply outside their local area, [] utilise an unbundled keg solution, [] supply outside their local area specifically with an unbundled keg solution, and only [] SML brewers with no pub only use PPF.

4.2. Under the counterfactual, Konvoy will not be a closer competitor than unbundling

70. As already noted, the NZCC contends that Kegstar and Konvoy are each other's closest competitors ([32] of the SOUI), which implies Konvoy is a closer competitor to Kegstar than unbundling is.

71. As we will demonstrate below, this is not correct, or at least will not be under the counterfactual:

    A. Data from the US on outcomes in states with a single versus two PPF providers implies that having a second PPF provider does not add to the constraint on the primary PPF provider from unbundled supply.

    B. Microstar's win/loss data shows that Kegstar has lost and won customers and volumes to and from Konvoy, but that Kegstar has also lost and won customers and volumes from other solutions in material proportions. For the reasons discussed in section 3.2, we would

expect Konvoy's relative competitiveness to continue to decline under the counterfactual (if Konvoy exists at all).

72. This data on competitive outcomes is consistent with Kegstar's statement at [8.12] of its 22 July 2025 clearance application, that:

> *Kegstar NZ's entire marketing and customer acquisition strategy is premised on comparing the value proposition and lower cost of its PPF service with the 'whole price' of the alternative keg ownership (and leasing) models by comparing the buyer's cost of leasing or owning kegs, taking into account capital costs / rental, depreciation, and the cost of keg logistics, with the cost of Kegstar NZ's PPF service*

73. In this regard, we understand that PPF currently only accounts for [] of fills in New Zealand.[34] In addition, Kegstar has expressed that it views the entire market as a PPF opportunity.[35] The outcomes we observe are consistent with economies of density meaning the overriding economic incentive for PPF providers is to grow the PPF segment.

4.2.1. US data

74. We have been provided with a dataset containing MicroStar's average price and margin per fill in each US state from FY23 to FY25 (**"the US Data"**).[36] The US Data also includes the number of PPF providers in each state, MicroStar's fill volumes in each state, and the population density and approximate population of each state. In addition, we have been provided with a separate dataset including MicroStar's average freight cost per fill in each state from FY23 to FY25 (**"the US Freight Data"**).[37]

75. The margin per fill is calculated by deducting freight, warehousing, R&D and overhead costs from price. We understand that only the freight cost is calculated specifically by state – the other costs are US averages and are applied equally to each state.

76. Our analysis of the US Data indicates that, on average, MicroStar's margin percentage per fill is [].[38] [].[39]

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34 In 2024, [] in New Zealand were from own kegs while []. Information provided by Kegstar.

35 We asked Kegstar for its view on what portion of the New Zealand market it considers to be addressable by PPF. In response Kegstar explained that it considers the entire market as a PPF opportunity and MicroStar's success in other markets (like the USA) has proven that large international brewers can be successfully converted from ownership to PPF, and that Kegstar can acquire brewer fleets and service all their keg needs via their PPF. Kegstar reiterated that its model is to build density within a region via higher utilisation of kegs.

36 Sales and Margin by Jurisdiction.xlsx. We are instructed that: (a) average price per fill was calculated by aggregating the PPF revenue by state and then dividing by the number of fills (revenue units) in the same state; and (b) average margin per fill was calculated as the average price per fill less the average freight cost per keg shipped to a brewer by state and a standard cost for warehousing, R&M, and overhead per fill.

37 The prices and costs in the US Data and the US Freight Data reflect the prices and costs for MicroStar's "standard service". MicroStar also offers a premium service. However, MicroStar is the only provider of this premium service in the USA. Where there is more than one PPF provider in a state, the other provider provides a comparable service to MicroStar's standard service.

38 The margin percentage per fill for each US state is calculated as the average margin per fill divided by the average price per fill.

39 [].

Table 4.3: Average MicroStar margin percentage in US states with 1 PPF provider vs 2 PPF providers

Year	One PPF Provider	Two PPF Providers	Percentage Point Diff	%Diff
[]	[]%	[]%	[]%	[]%
[]	[]%	[]%	[]%	[]%
[]	[]%	[]%	[]%	[]%

Source: NERA analysis of US Data

77. The same finding applies to MicroStar's gross margin percentage per fill when freight costs are considered as the only expense (i.e., gross margin excluding warehousing costs).[40] As Table 4.4 below shows, MicroStar's average gross margin percentage [.[41]] [.[42]] However, this [].

Table 4.4: Average MicroStar gross margin percentage in US states with 1 PPF provider vs 2 PPF providers[43]

[]	[]	[]	[]	[]
[]	[]%	[]%	[]%	[]%
[]	[]%	[]%	[]%	[]%
[]	[]%	[]%	[]%	[]%

Source: NERA analysis of US Data.
Notes: Only costs from freight are considered when calculating the gross margin percentage. Washington D.C, Hawaii, West Virgina, Mississippi, Arkansas, Kansas, Nebraska, North Dakota, and Alaska all have a gross margin percentage of []% in years where the dataset includes an average price for these states given that MicroStar [] in these states []. These states all have only one PPF provider and we include them in our calculations of average gross margin percentage to be conservative. If we were to exclude these states, the average gross margin percentage in states with one PPF provider would [].

78. []. A fundamental relationship in microeconomics is the Lerner index, which states that the percentage gross margin of a firm is inversely related to the residual demand elasticity facing that firm. [].

79. The Lerner index is set out in equation (1) below.[44] Since the price-cost margin (i.e., (P – MC)/P or gross margin percentage) []. If the existence of another PPF firm constrained MicroStar's pricing, we would expect to see MicroStar's residual price elasticity of [].

---

40 Warehousing is not included as MicroStar cannot allocate these by state for reasons including that warehousing costs are shared across MicroStar's network. Hence, the gross margin percentage for each state is calculated as (average price per fill – average freight cost per fill) / average price per fill.

41 This is also the case when examining the five U.S. states with two PPF providers where MicroStar holds less than a [] share of total kegs collected: []. The average gross margin percentage across these states was [] for FY25, [] for FY24, and [] for FY23. [].

42 [].

43 [].

44 The Lerner index or price-cost margin for a profit maximising firm equals the negative of the reciprocal of the elasticity of demand facing the firm. Carlton and Perloff, Modern Industrial Organization – Fourth Edition: Pearson, 2015, ("Modern Industrial Organization"), p.278.

$$\frac{P - MC}{P} = -\frac{1}{\epsilon^r} \Rightarrow \text{Gross Margin \%} = \frac{1}{\text{MicroStar residual elasticity of demand}} \quad (1)$$

80. This equivalence of margin result is consistent with Kegstar's statement that its pricing is set against that of own supply rather than any PPF rival. ([8.12] of its 22 July 2025 clearance application) states:

> *Kegstar NZ's entire marketing and customer acquisition strategy is premised on comparing the value proposition and lower cost of its PPF service with the 'whole price' of the alternative keg ownership (and leasing) models by comparing the buyer's cost of leasing or owning kegs, taking into account capital costs / rental, depreciation, and the cost of keg logistics, with the cost of Kegstar NZ's PPF service.*

81. Also consistent with this is the fact that when there is a second PPF provider in the US, the second provider tends to []45 and primarily specialises in adjacent offerings like leasing or pure-play reverse logistics.46 This suggests that even where economies of density are sufficient to support two PPF providers, they are only just sufficient.

82. [].

83. [].

Figure 4.1: []

[]

Source: NERA analysis of US Data
Notes: The average freight cost per fill for each state is averaged across FY23-FY25. Each box shows the range between the 25th and 75th percentile. The middle line shows the median and the X the mean. The top and bottom whisker give the highest and lowest observation in the group. Washington D.C, Hawaii, West Virgina, Mississippi, Arkansas, Kansas, Nebraska, North Dakota, and Alaska are excluded as we do not have data from these states given that MicroStar did [] in these states (i.e., [].

84. Given MicroStar's higher freight costs in US states where there is only one PPF provider, [].

Table 4.5: Average price per fill in US states with 1 PPF provider vs 2 PPF providers

[]	[]	[]	[]	[]
[]	$[]	$[]	+$[]	+[]%
[]	$[]	$[]	+$[]	+[]%
[]	$[]	$[]	+$[]	+[]%

Source: NERA analysis from US Data

85. Yet, as the margins in Table 4.3 and Table 4.4 above illustrate, [].

45 Calculated as the average share of the provider with the smaller share of kegs collected in US states with two PPF providers. Using data provided by MicroStar on each providers' share of fills in US states.

46 []

4.2.2. Win/loss data

86. We have been provided with a dataset of Kegstar's wins from and losses to other keg logistics solutions by number of customers and fill volume for each year between 2022 and 2025. This win/loss data is depicted in [] and [] below.

87. When reviewing these data, it is important to keep in mind that:

    A. Pricing by Kegstar and Konvoy has been unsustainably low at current volumes; and

    B. Konvoy entered receivership/administration on March 11, 2025.

Figure 4.2: []

[]

Source: NERA analysis of Kegstar win/loss data.
Notes: Does not include potential gains from ongoing negotiations. Gains and losses from 'Other' include customers categorised as previously being on a casual contract with Kegstar and/or Konvoy, used plastic (one way) kegs, overflow, and using a mix of solutions. Customers categorised as new to PPF includes those who just began trading, and are using kegs for the first time (e.g. previously only did cans and bottles).

Figure 4.3: []

[]

Source: NERA analysis of Kegstar win/loss data.
Notes: Does not include potential gains from ongoing negotiations. Gains and losses from 'Other' include customers categorised as previously being on a casual contract with Kegstar and/or Konvoy, used plastic (one way) kegs, overflow, and using a mix of solutions. Customers categorised as new to PPF includes those who just began trading and are using kegs for the first time.

88. This data shows that Kegstar has lost and won customers and volumes to and from Konvoy, but that Kegstar has also lost and particularly won customers and volumes from other solutions in material proportions – [].

    A. []

    B. []

    C. []

    D. []

89. For the reasons discussed in section 3 we would expect Konvoy's relative competitiveness to decline under the counterfactual (if Konvoy exists at all).

4.3. Conclusion on market definition

90. In this section we have described the evidence that:

    A. A material proportion of New Zealand brewers (and subsets of brewers) utilise an unbundled keg solution for at least a portion of their supply;

B. Data from the US on outcomes in states with a single versus two PPF providers implies that having a second PPF provider does not add to the constraint on the primary PPF provider from unbundled supply; and

C. Microstar's win/loss data shows that Kegstar has lost and won customers and volumes to and from Konvoy, but that Kegstar has also lost and won customers and volumes from other solutions in material proportions.

91. This evidence implies that a hypothetical monopolist over the ostensible "PPF Services" market could not profitably impose a SSNIP, because brewers would switch to an unbundled solution (or at least increase their use of an unbundled solution). Therefore, the market should be defined to include unbundled solutions.

5. No substantial lessening of competition

92. Clearly there would be no substantial lessening of competition against the Konvoy Exit Counterfactual.

93. In our view, there would also be no substantial lessening of competition against the []:

    A. The merged entity would benefit from improved economies of density, lowering its costs.

    B. Brewers would continue to have the economic option of switching to an unbundled solution, in part or in whole – the relevant market includes unbundled solutions.

    C. Konvoy would not be a closer rival than an unbundled solution. Indeed, Konvoy is likely to become even less competitive under the []. Data from the US on outcomes in states with a single versus two PPF providers implies that having a second PPF provider does not add to the constraint on the primary PPF provider from unbundled supply.

Appendix A. []

94. []

95. [].[47] []

96. []

97. [].[48] []

98. []

99. [].[49]

100. []

101. []

[47] []

[48] []

[49] []

Appendix B. []

102. [].[50] [].[51] []

103. []

104. []

Table 5.1: []

[]

[]

105. []

106. []

107. []

Table 5.2: []

[]

[]

108. []

Table 5.3: []

[]

[]

[50] []

[51] []

Appendix C. Keg solutions used by New Zealand brewers

109. The variables in Table 5.4 below should be interpreted as follows:

A. **Unbundled**: includes brewers who use an unbundled keg solution for at least a portion of their supply. Brewers included may also use other solutions in addition to unbundling.

B. **Unbundled and no PPF**: includes brewers who use an unbundled keg solution for at least a portion of their supply and do not use PPF. Brewers included may also use other (non-PPF) solutions in addition to unbundling.

C. **Unbundled only**: includes brewers who use only an unbundled solution. Does not include brewers using PPF, plastic kegs, or serving tanks.

D. **PPF**: includes brewers who use PPF for at least a portion of their supply. Brewers included may also use other solutions in addition to PPF.

E. **PPF and no Unbundled**: includes brewers who use PPF for at least a portion of their supply and do not use an unbundled keg solution. Brewers included may also use other (non-unbundled) solutions in addition to PPF.

F. **PPF only**: includes brewers who use only PPF. Does not include brewers using an unbundled solution, plastic kegs, or serving tanks.

G. **Unbundled and PPF**: includes brewers who use an unbundled keg solution and PPF for at least a portion of their supply. Brewers included may also use other solutions in addition to unbundling and PPF.

H. **Alternative to PPF**: includes brewers who use an unbundled solution, plastic kegs, or serving tanks for at least a portion of their supply. Brewers included may also use PPF in addition to the other solutions.

I. **Own kegs**: includes brewers who use own kegs for at least a portion of their supply. Brewers included may also use other solutions in addition to own kegs.

J. **Plastic kegs**: includes brewers who use plastic kegs for at least a portion of their supply. Brewers included may also use other solutions in addition to plastic kegs.

K. **Serving tanks**: includes brewers who use serving tanks for at least a portion of their supply. Brewers included may also use other solutions in addition to serving tanks.

L. **Lease kegs**: includes brewers who use lease kegs for at least a portion of their supply. Brewers included may also use other solutions in addition to lease kegs.

M. **Brewers in brewer category**: includes the number of brewers in each brewer category (e.g., SML with pub) and the percentage of all known brewers that are in each brewer category.

Table 5.4: Keg solutions used by New Zealand brewers (by number of brewers and % of brewer category) – full table

Keg solutions	SML with pub		SML with no pub		Microbreweries		All Known	
	[]	[]	[]	[]	[]	[]	[]	[]
Unbundled	[]	[]	[]	[]	[]	[]	[]	[]
Unbundled and no PPF	[]	[]	[]	[]	[]	[]	[]	[]
Unbundled only	[]	[]	[]	[]	[]	[]	[]	[]
PPF	[]	[]	[]	[]	[]	[]	[]	[]
PPF and no Unbundled	[]	[]	[]	[]	[]	[]	[]	[]
PPF only	[]	[]	[]	[]	[]	[]	[]	[]
Unbundled and PPF	[]	[]	[]	[]	[]	[]	[]	[]
Alternative to PPF	[]	[]	[]	[]	[]	[]	[]	[]
Own kegs	[]	[]	[]	[]	[]	[]	[]	[]
Serving tanks	[]	[]	[]	[]	[]	[]	[]	[]
Plastic kegs	[]	[]	[]	[]	[]	[]	[]	[]
Lease kegs	[]	[]	[]	[]	[]	[]	[]	[]
Brewers in brewer category	**[]**	**[]**	**[]**	**[]**	**[]**	**[]**	**[]**	**[]**

Source: NERA analysis of New Zealand brewery data provided to us by Kegstar.
Notes: Unbundled includes owned and leased kegs. Kegstar categorised the brewers as micro, small, medium, and large, using the NZCC's sizing in footnote 3 of the SOI as a guide. Brewers with pub include brewers that actually own pubs/venues, brewery franchise, and venues where a brewer has a 100% tap contract in place. Includes all independent and non-independent non-closed beer brewers in New Zealand that Kegstar was able to identify. Excludes firms that only produce wine, cider, or RTDs. Kegstar notes that it is possible that some small/regional brewers could be excluded given that it does not have access to a comprehensive list of New Zealand brewers.

110. Table 5.5 below replicates Table 5.4 but only includes brewers that distribute their kegs further than their local region. Table 5.5 includes one new row highlighted in green that includes brewers who use an unbundled keg solution to distribute their kegs further than their local region. This variable differs from the *Unbundled* variable since the *Unbundled* variable includes brewers who do not use their unbundled solution to distribute kegs further than their local region (i.e., they may only use their unbundled solution to distribute locally).

Table 5.5: Keg solutions used by New Zealand brewers who supply outside their local area – 10km (by number of brewers and % of brewer category) – full table

Keg solutions	SML with pub		SML with no pub		Microbreweries		All Known	
	[]	[]	[]	[]	[]	[]	[]	[]
Unbundled	[]	[]	[]	[]	[]	[]	[]	[]
Unbundled and no PPF	[]	[]	[]	[]	[]	[]	[]	[]
Unbundled only	[]	[]	[]	[]	[]	[]	[]	[]
PPF	[]	[]	[]	[]	[]	[]	[]	[]
PPF and no Unbundled	[]	[]	[]	[]	[]	[]	[]	[]
PPF only	[]	[]	[]	[]	[]	[]	[]	[]
Unbundled and PPF	[]	[]	[]	[]	[]	[]	[]	[]
Alternative to PPF	[]	[]	[]	[]	[]	[]	[]	[]
Own kegs	[]	[]	[]	[]	[]	[]	[]	[]
Serving tanks	[]	[]	[]	[]	[]	[]	[]	[]
Plastic kegs	[]	[]	[]	[]	[]	[]	[]	[]
Lease kegs	[]	[]	[]	[]	[]	[]	[]	[]
Supply outside local area using unbundled kegs	[]	[]	[]	[]	[]	[]	[]	[]
Brewers in brewer category	[]	[]	[]	[]	[]	[]	[]	[]

Source: NERA analysis of New Zealand brewery data provided to us by Kegstar.
Notes: Unbundled includes owned and leased kegs. Kegstar categorised the brewers as micro, small, medium, and large, using the NZCC's sizing in footnote 3 of the SOI as a guide. Brewers with pub include brewers that actually own pubs/venues, brewery franchise, and venues where a brewer has a 100% tap contract in place. Includes all independent and non-independent non-closed beer brewers in New Zealand that transport beyond their local area that Kegstar was able to identify. Excludes firms that only produce wine, cider, or RTDs. Local area refers to 10km form the brewery/production site. Kegstar notes that it is possible that some small/regional brewers could be excluded given that it does not have access to a comprehensive list of New Zealand brewers.