

***Case No COMP/M.3109 -  
CANDOVER / CINVEN /  
GALA***

Only the English text is available and authentic.

**REGULATION (EEC) No 4064/89  
MERGER PROCEDURE**

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Article 6(1)(b) NON-OPPOSITION  
Date: 14/03/2003

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COMMISSION OF THE EUROPEAN COMMUNITIES

**Brussels, 14.03.2003**

**SG (2002) D/229948**

In the published version of this decision, some information has been omitted pursuant to Article 17(2) of Council Regulation (EEC) No 4064/89 concerning non-disclosure of business secrets and other confidential information. The omissions are shown thus [...]. Where possible the information omitted has been replaced by ranges of figures or a general description.

PUBLIC VERSION

MERGER PROCEDURE  
ARTICLE 6(1)(b) DECISION

**To the notifying parties**

Dear Sir/Madam,

**Subject: Case No COMP/M.3109 - Candover/Cinven/Gala  
Notification of 13.02.2003 pursuant to Article 4 of Council Regulation  
No 4064/89<sup>1</sup>**

1. On 13.02.2003, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EEC) No 4064/89 by which the undertakings Candover Partners Limited ("Candover", UK), belonging to the group Candover Investments plc, and Cinven Limited ("Cinven", UK), belonging to the group Cinven Group Limited, acquire within the meaning of Article 3(1)(b) of the Council Regulation joint control of the undertaking Gala Group Limited ("Gala", UK) by way of purchase of shares.
2. After examining the notification, the Commission has concluded that the notified operation falls within the scope of the Merger Regulation and that it does not raise serious doubts as to its compatibility with the common market and with the EEA Agreement.

**I. THE PARTIES**

3. Candover is a wholly owned subsidiary of Candover Investment plc., which is an investment trust listed on the London Stock Exchange. The companies in the Candover group provide investment and management advice to investment funds and manage investments on their behalf. Candover has a controlling interest in Bourne Leisure Holdings Limited which operates holiday centres in the UK and an interest in First Leisure plc which operates night clubs and bars.

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<sup>1</sup> OJ L 395, 30.12.1989 p. 1; corrigendum OJ L 257 of 21.9.1990, p. 13; Regulation as last amended by Regulation (EC) No 1310/97 (OJ L 180, 9. 7. 1997, p. 1, corrigendum OJ L 40, 13.2.1998, p. 17).

4. Cinven is a wholly owned subsidiary of Cinven Group Limited, which is a venture capital business and owned by the individuals responsible for the management of the Cinven group of companies. The companies in Cinven Group provide investment and management advice to investment funds and manage investments on their behalf. Cinven has a controlling interest in the Unique Pub Company Limited, which operates around 4,000 pubs across the UK.<sup>2</sup>
5. Storeretro is a newly formed private limited liability company and is jointly controlled by Candover and Cinven, who each holds [...] % of the shares in Storeretro. Storeretro has been set up solely in order to acquire Gala. Management holds approximately [...] % of the shares and the rest is held for an Employee Share Option Scheme. Each of Candover and Cinven have veto rights over all key Board decisions, including approval of budget, business plan, major investments etc. Management will have the normal minority protection rights but will have no control. Candover and Cinven will therefore exercise joint control over Gala.
6. Gala is a company active in the gambling industry through the ownership and management of bingo clubs and casinos and the operation of gaming machines at their bingo and casino premises. Gala is currently owned by funds advised by Credit Suisse First Boston Private Equity and a number of other investors, together with its executive management (the sellers).<sup>3</sup> It already acts as an independent entity having its own dedicated management, staff, premises, financial resources etc. It is and will continue to be a fully functioning company.

## **II. THE OPERATION**

7. On 07.02.2003, the parties signed a Sale and Purchase Agreement whereby Storeretro acquires control over Gala. As described above, after the completion of the transaction Candover and Cinven will have joint control over Gala through Storeretro.

## **III. CONCENTRATION**

8. In the light of the above, it can be concluded that the operation constitutes a concentration within the meaning of Article 3 (1)(b) of the Merger Regulation.

## **IV. COMMUNITY DIMENSION**

9. The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 billion<sup>4</sup> (Candover €[...] million, Cinven €[...] million, Gala € [...] million). Each of the companies have a Community-wide turnover in excess of EUR 250 million (Candover €[...] million, Cinven €[...] million, Gala €[...] million), but they do not achieve more than two-thirds of their aggregate Community-wide turnover

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<sup>2</sup> COMP/M. 2777 - Cinven Limited/Angel Street Holding.

<sup>3</sup> COMP/M.1887 - Credit Suisse First Boston/Gala Group.

<sup>4</sup> Turnover calculated in accordance with Article 5(1) of the Merger Regulation and the Commission Notice on the calculation of turnover (OJ C66, 2.3.1998, p25). To the extent that figures include turnover for the period before 1.1.1999, they are calculated on the basis of average ECU exchange rates and translated into EUR on a one-for-one basis.

within one and the same Member State. The notified operation therefore has a Community dimension.

## V. RELEVANT MARKETS

### Relevant product markets

10. Bingo, casino gaming and internet gaming are sectors of the British gambling industry, which additionally comprises gaming machines, the National Lottery, other lotteries, scratch cards, horse races, private betting, other betting and the football pools. The gambling market can be broken into several sub-segments; e.g. bingo and casino, where the various forms of gambling to some extent compete with each other. The overall turnover generated by the gambling industry in the UK in 1998 was approximately €62.1 billion.
11. The transaction only gives rise to an overlap in the market for gambling machines, since neither Candover nor Cinven have any casino activities. The transaction creates an overlap in the bingo segment, but as it is shown below, the two forms of bingo games concerned (“commercial” and “holiday” bingo) form two distinct markets within the same segment.

#### *Bingo*

12. Bingo is a form of lotto game played in clubs or halls. There are three types of main stage bingo: club bingo, linked bingo and multiple bingo. Bingo clubs are situated across the UK, primarily in urban locations. The parties distinguish between “commercial bingo” offered in clubs and “holiday bingo” included in a holiday package together with other entertainment activities.
13. Candover’s holiday centres offer bingo games as part of a “holiday package” including accommodation (with a minimum stay of three or four nights) and other forms of activities, such as sport, entertainment etc. However, these holiday bingo games do not compete in the same market as Gala, *inter alia* because they cannot be purchased separately and are not open to the public. In order to have access to a bingo game at a holiday resort, the customer is required to buy accommodation too. Such prices for a “holiday package” vary between €219-430 depending on the type of accommodation.
14. In contrast, Gala Bingo clubs are open to anyone over the age of 18 years, subject to a 24-hour free membership application process and an admission charge of £1 or for free. Most Gala clubs have six bingo sessions per day 364 days a year; each divided into early, main and late sessions. During each session about 15 main stage bingo games are played, each game lasting approximately five minutes. In between the main stage bingo games, interval bingo games are played. Prizes vary from game to game depending on the proceeds of the sale of cards for a particular game.
15. Based on these significant differences, the commercial bingo provided by Gala and the holiday bingo provided at the holiday centres can be regarded as belonging to different product markets.

#### *Gaming machines*

16. Gaming machines (Jackpot machines, token machines and All-cash or Amusement with prize (AWP) machines) constitute a separate product market, though they also can

be regarded as integrated in the “gambling package” at the respective sites where they are situated, i.e. in casinos, bingo clubs, arcades, pubs, betting shops etc.

17. Jackpot machines are permitted only in casinos, bingo clubs and in other clubs. The maximum stake is €0.8 and the maximum prize is €3,200 in casinos, €800 in bingo clubs and €400 in other clubs. Token machines are most commonly found in seaside arcades, but can also be located in other premises with the consent of the local authority. The maximum stake is €0.48 and the maximum prize is €8 cash or €12.9 tokens (or a non-cash prize). AWP machines are located in arcades, bingo clubs, pubs and betting shops. The maximum stake is €0.48 and the maximum prize is €40.
18. It is not necessary to delineate the product market definition for gaming machines further, because, all alternative market definitions considered, competition would not be significantly impeded.

### **Relevant geographic market**

#### *Bingo*

19. Since there are no overlaps between the bingo activities of Gala and the bingo activities of the holiday centres, the geographic market definition can be left open, as competition would not be impeded by the transaction no matter how narrow the geographic market definition is.

#### *Gaming machines*

20. Gala operates gaming machines in its bingo clubs and casinos. Through the Unique Pub Company Cinven operates gaming machines across a number of its pub venues and Candover operates, through Bourne Leisure, gaming machines across its holiday centres.
21. The geographic scope of the gaming machine market is most likely national, since the gaming machines are placed at different sites spread widely across the country.<sup>5</sup> Gaming machines are primarily considered to be secondary to the primary business of these locations.
22. In all alternative geographic market definitions competition would not be significantly impeded and the precise definition of the relevant geographic market can therefore be left open.

## **VI. COMPETITIVE ASSESSMENT**

#### *Bingo*

23. As mentioned above, the commercial bingo and the holiday bingo do not compete in the same markets wherefore no overlaps exist and no competition issues arise because of the transaction.

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<sup>5</sup> As only Gala operates gaming machines outside the UK (casinos in Gibraltar and on the Isle of Man) there will be no significant effect on any markets wider than national.

### *Gaming machines*

24. The proposed transaction will lead to a horizontal overlap in the gaming machine market.
25. The total number of gaming machines was in 2000 estimated at 255,000 of which 221,000 are AWP or token machines, 26,000 are jackpot machines. The annual turnover in the gaming machine sector is estimated at €16.48 billion.
26. Gala operates a total of [...] gaming machines ([...] jackpot and [...] AWP machines) in its bingo clubs and casinos. Gala's total share of the gaming machine market is [less than 5%] in terms of volume and [between 3 and 8%] in terms of value. Candover (through Bourne Leisure and First Leisure) operates [...] machines ([...] jackpot and [...] AWP machines) across its holiday centres and night clubs. The market share is [less than 3%] in terms of volume and [less than 3%] in terms of value. Cinven (through The Unique Pub Company) operates [...] AWP gaming machines. Cinven's market share is [approximately 1%] both in terms of volume and value. Based on this, the proposed transaction will have no significant impact on the competitive situation in the market for gaming machines.
27. It can therefore be concluded, that the transaction will not create or strengthen a dominant position on any of the markets for gaming machines.

### **VII. CONCLUSION**

28. For the above reasons, the Commission has decided not to oppose the notified operation and to declare it compatible with the common market and with the EEA Agreement. This decision is adopted in application of Article 6(1)(b) of Council Regulation (EEC) No 4064/89.

For the Commission  
Mario MONTI  
Member of the Commission