

***Case No COMP/M.3169 -  
BRIDGEPOINT  
CAPITAL / PERMIRA /  
HOLMES PLACE***

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: 01/07/2003

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 1/7/2003

SG (2003) D/230343-230344

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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.3169 – Bridgepoint Capital / SVL / Holmes Place  
Notification of 23.05.2003 pursuant to Article 4 of Council Regulation  
No 4064/89<sup>1</sup>**

1. On 23 May 2003 the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EEC) No 4064/89, as last amended by Regulation (EC) No 1310/97 by which the undertakings Bridgepoint Capital Group Limited ('Bridgepoint', United Kingdom) and Schroder Ventures Limited ('SVL', Channel Islands) acquire within the meaning of Article 3(1)(b) of the Council Regulation joint control of the undertaking Holmes Place plc ('HP', United Kingdom) active in the area of health and fitness clubs and the management of leisure facilities by way of public bid announced on 22 May 2003.

**I. THE PARTIES**

2. BE II is an investment fund, which is ultimately controlled by Bridgepoint. Bridgepoint is the ultimate parent of the companies within the Bridgepoint Capital group and controls private equity funds investing in companies in various industry sectors. Within the portfolio companies, Bridgepoint has a controlling interest in Virgin Active ("VA"), a company active in the area for health and fitness clubs. Virgin Active currently owns 12 health clubs in the UK and 76 clubs in South Africa. Virgin Active does not manage any clubs on behalf of others.

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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).

3. PE II is an investment fund, which is ultimately controlled by Schroder Ventures Limited (SVL) which provides investment management and investment advice services. SVL/PE II has no other interests in companies active in the area of health and fitness clubs.
4. HP is a publicly listed company active in the sector of operation of health and fitness clubs and the management of publicly owned leisure facilities. HP operates 49 clubs in the UK, the only country where the parties have overlapping activities.
5. Two new companies, Bidco (Health Club Group plc.) and Topco (Health Club Holdings plc.), have been incorporated in order to acquire HP. Bidco is a wholly owned subsidiary of Topco. Bridgepoint and SVL have joint control of Topco under the terms of a shareholders agreement and thereby also of Bidco.

## **II. THE OPERATION**

6. On 22.05.2003, BE II and PE II made a public offer through the jointly controlled company Bidco for the entire issued share capital of HP. Following the completion of the concentration HP will become a wholly owned subsidiary of Bidco, which ultimately is jointly controlled by BE II and PE II.

## **III. CONCENTRATION**

7. 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**

8. The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 billion<sup>2</sup> (BE II €[...] million, SVL/PE II €[...] million and HP €[...] million). Two of the undertakings concerned have a Community-wide turnover in excess of EUR 250 million (BE II €[...] million and SVL/PE II €[...] million), but they do not achieve more than two-thirds of their aggregate Community-wide turnover within one and the same Member State. The notified operation therefore has a Community dimension.

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<sup>2</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.

## V. COMPETITIVE ASSESSMENT

### Product market

9. The parties submit that the broadest relevant product market is the market for all sports and leisure centres including publicly and privately owned clubs. They are of the opinion that publicly owned centres and privately owned clubs should be viewed as substitutable and therefore form part of the same market because of an increasing convergence between the two groups in terms of the services provided and charging structure. More of the publicly owned centres offer fitness facilities in direct competition with privately owned clubs.
10. However, due to the existing differences in the facilities offered and the charging structure, the parties recognise that a narrower product market may be adopted: one market for publicly owned centres and one market for privately owned clubs. Publicly owned centres tend to focus on pure sporting activities whereas privately owned clubs focus on fitness facilities. Publicly owned clubs generally charge consumers on a “pay-as-you-play” basis and private clubs charge on the basis of a subscription fee consisting of a one-off join fee and a monthly subscription fee without time limits. However, privately owned clubs manage some publicly owned centres and some publicly owned centres are gradually adopting the private sector’s charging practices.
11. The parties are of the opinion that in case a separate market for privately owned clubs is distinguished, there is no need to identify narrower markets. However, should a narrower distinction be made, they submit that a distinction can be made on the basis of either costs or facilities.

### *Cost distinction*

12. In HP and VA, the joining fees are in the range of £[...] and membership fees vary between £[...] per month. The charging structure does not give a very clear picture of the market because of the club’s discounting policies. According to the parties, some market analysts have considered the market to be divided between premium (£[...] monthly subscription), mid-market (£[...]) and value (£[...]). The parties do not subscribe to this distinction. If such markets were retained, there would be no overlap between the parties’ activities and no affected markets would arise; according to the parties HP belongs to the premium segment and VA belongs to the value segment. Furthermore, a report commissioned by the parties indicates that [consumers] consider location to be the single most important factor [in the choice of clubs].

### *Facilities distinction*

13. A distinction could also be based on the range and quality of the facilities offered by the clubs. At one end of the scale are single rooms offering fitness equipment with changing facilities; at the other end are the clubs offering a full range of exercise facilities including sporting facilities equal to those offered by public centres. The parties do not subscribe to such a distinction; the prime indicator of choice on the demand side is location. Clubs in the same vicinity are typically of the same size and offering similar facilities. [...].

### *Conclusion on the relevant product market*

14. A product market comprising all sports and leisure centres, including publicly and privately owned clubs seems to be too broad. There appear to be some important differences in respect of the facilities offered and the charging structure between publicly and privately owned clubs although in some instances some convergence seems to be taking place. A further distinction within a market for privately owned fitness clubs according to, on the one hand, cost or, on the other hand, facilities seems difficult to make although it must be recognised that there are significant variations in the level of facilities offered and the price charged by privately owned fitness clubs.
15. However, the relevant product market definition can be left open, because under all alternative market definitions considered, the proposed concentration does not give rise to competition concerns.

### Geographic market

16. A survey commissioned by the parties identifies that location is the single most significant factor taken into account [by] consumers, when they choose a health club. According to the parties, the health club business is primarily local or regional in scope. According to the parties, the closest analogy in respect of private health clubs is the catchment area of supermarkets in terms of a 10-15 minute isochrone (by foot or by car from either the work place or the home). The parties suggest the use of postal codes as a measure for the 10-15 minute isochrones when identifying the relevant geographic market.
17. Assuming that it take 15 minutes to walk a distance of 1,500 meters and choosing the largest catchment area, a 1,500-meter radius/isochrone around the respective VA and HP clubs equalling a journey of 15 minutes by foot appear to be a more precise way of delineating the geographic scope of the market than using postal codes. This results in the identification of the narrowest possible geographic market. Taking into account travelling by car or public transportation, the catchment area would be larger, and no affected markets would occur.
18. The geographic scope of the relevant market can be left open, because under all alternative market definitions considered, the proposed concentration does not give rise to competition concerns.

### Assessment

19. On the basis of the number of clubs in the isochrones from the VA and HP clubs, overlaps between the activities of VA and HP occur in the centre of London. Within this area VA has [...] and HP has [...] clubs. In total there are 19 privately owned and 3 publicly owned clubs within this area. On this basis, VA/HP will have a market share of [15-25]% of privately owned clubs. Some of these 19 privately owned clubs do not have the same facilities as VA and HP. Some of them do not have a gym; some of them do not offer exercise classes. When in this area only clubs having comparable facilities to those of the parties are taken into account, the parties have a market share of [...20-30]%.
20. In view of these market shares on the narrowest possible market, the current transaction does not give rise to any competition concerns.

## **VI. CONCLUSION**

21. 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