

***Case No COMP/M.4624 -  
EQT/SCANDIC***

Only the English text is available and authentic.

**REGULATION (EC) No 139/2004  
MERGER PROCEDURE**

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Article 6(1)(b) NON-OPPOSITION  
Date: 25/04/2007

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 25.04.2007

**SG-Greffe(2007) D/202528**

In the published version of this decision, some information has been omitted pursuant to Article 17(2) of Council Regulation (EC) No 139/2004 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 Where possible the information omitted has been replaced by ranges of figures or a general description.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 Party

Dear Sir/Madam,

**Subject: Case No COMP/M.4624 – EQT/SCANDIC  
Notification of 27.02.2007 pursuant to Article 4 of Council Regulation  
No 139/2004**

**I. INTRODUCTION**

1. On 19.03.2007, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EC) No 139/2004 ("the Merger Regulation") by which the undertaking EQT V Limited ("EQT", United Kingdom) controlled by Investor AB ("Investor", Sweden) acquires within the meaning of Article 3(1)(b) of the Merger Regulation control of parts of the undertakings Scandic Hotels AB ("Scandic", Sweden) by way of purchase of shares.
2. After examination of the notification, the Commission has concluded that the notified operation falls within the scope of the Merger Regulation and does not raise serious doubts as to its compatibility with the common market and with the functioning of the EEA Agreement.

**II. THE PARTIES**

3. **EQT** [...] EQT V fund ("the Fund"). The Fund is active in Northern Europe. EQT is ultimately wholly owned by CBTJ Financial Services B.V. CBTJ Financial Services B.V. is controlled by individuals that are partners, directors or associates in EQT Partners AB. Investor holds a majority (66.67 %) of the shares/votes in EQT Partners AB, which is the investment adviser for the Fund. Investor is an investment company listed on the Stockholm Stock Exchange. Investor's focus is on holdings in the healthcare, technology, engineering and financial services sector. EQT is deemed to be controlled by Investor.

4. **Scandic** is a hotel chain operator in the mid-market segment which currently is owned by Hilton. Scandic operates 132 hotels across 9 countries. 122 of the hotels are located in the Nordic countries.

### III. THE OPERATION

5. The parties have signed a Sale and Purchase Agreement on 2 March 2007. The notified concentration consists of EQT V fund's acquisition, through Qidnax AB, a company which has been created for the sole purpose of the said acquisition and several other NewCos, of sole control of Scandic Hotels as a result of the acquisition of 100 % of the shares and votes in Scandic Hotels.

### IV. CONCENTRATION

6. Leading to the acquisition of sole control the transaction therefore constitutes a concentration within the meaning of Art. 3(1)(b) of the Merger Regulation.

### V. COMMUNITY DIMENSION

7. The undertakings concerned have a combined aggregate worldwide turnover of more than EUR 5 billion (EQT: EUR [...]; Investor: EUR [...]; Scandic: EUR 0.6 billion). The aggregate Community-wide turnover of each of at least two of the undertakings concerned is more than EUR 250 million (EQT: EUR [...]; Investor: EUR 2[...]; Scandic: EUR 543 million) for 2005. Not all the undertakings concerned achieve more than two thirds of its Community wide turnover in one and the same Member State. The notified transaction therefore has a Community dimension.

### VI. COMPETITIVE ASSESSMENT

#### A. RELEVANT PRODUCT MARKETS

8. The Commission has in previous decisions noted that the market could be segmented (i) by price/comfort level based on the grading or stars awarded to the particular hotel which indicates the standard and facilities the customer may expect and/or (ii) by ownership, i.e. a separation of hotel chains forming networks of hotels on the one hand and independent hotels on the other hand<sup>1</sup>.
9. However, the Commission has not found it necessary to exactly define the relevant product market in the hotel sector. In the proposed transaction the definition of the relevant product market can also be left open.

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<sup>1</sup> Cf Case No COMP/M.3858 – *LEHMAN BROTHERS/SCG/STARWOOD/LE MERIDIEN*, 20.07.2005, IV/M. 1133 *BASS PLC/SAISON HOLDINGS BV* 23/03/1998, COMP/M.3373 *ACCOR/COLONY/DESSEIGNE*, 04.06.2004, IV/M. 126 *ACCOR/WAGON-LITS* 28/04/1992, and COMP/M. 1596 *ACCOR/BLACKSTONE/COLONY/VIVENDI* 08/09/1999. See also COMP/M.2451 – *HILTON/SCANDIC*, 31.05.2001.

## **B. RELEVANT GEOGRAPHIC MARKETS**

10. In previous decisions, the Commission has noted that the relevant geographic market may be both national and local.<sup>2</sup> National because the structure of supply may vary from one market to another since the hotel industry is linked to national economic trends and local because competition exists at a local level between all types of hotels (chains and independents) since consumer choice of hotel will heavily be determined by location. The relevant geographic market can also be left open in this case.

## **C. COMPATIBILITY WITH THE COMMON MARKET**

11. The notified transaction has an impact on the hotel sector, at local level, in Stockholm County and/or Stockholm Municipality. Scandic has 16 hotels (on the County level), whereof 9 are located in the Stockholm Municipality and Investor controls the Grand Group which operates one hotel, Grand Hôtel, located in Stockholm.
12. Based on room capacity, Scandic's market share is [10-15%] both in the Stockholm County and the Stockholm Municipality. Grand Hôtel's market share is around [0-5%] in the Stockholm County and [0-5%] in the Stockholm Municipality. Thus, there is a horizontally affected market on the narrowest possible geographic definition limited to the Stockholm area (County or Municipality), where the parties' combined market shares would be [10-15%] (Stockholm County) or [15-20%] (Stockholm Municipality).
13. However, there are several other hotels in the Stockholm area, both hotel chains and independents. Moreover, new capacity is expected within the next three years. Choice Hotels has announced the opening of a new hotel in the Stockholm Municipality (with around 560 rooms) in 2008 and Park Inn is expected to open two new hotels in the Stockholm Municipality (with in total around 600 rooms) in 2009 and 2010 respectively.
14. Further, though Grand Hôtel and Scandic both are active on the market for hotel accommodation, they are active on different segments since Grand Hôtel is active on the high-end segment and Scandic on the mid-market segment.
15. Finally, Hilton will retain two hotels (Scandic Sergel Plaza and Hilton Stockholm Slussen Hotel) with a combined total of around 700 rooms. These 700 rooms represent a market share of around [0-5%] in the Stockholm County and [0-5%] in the Stockholm Municipality. Therefore the concentration level on the overall hotel market in the Stockholm area in fact will decrease rather than increase (Grand Hôtel will add one hotel representing around 300 rooms to Scandic Hotels but Hilton will retain two hotels representing around 700 rooms).
16. There are no vertically affected markets.

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<sup>2</sup> Cf Case No COMP/M.3858 – *LEHMAN BROTHERS/SCG/STARWOOD/LE MERIDIEN*, 20.07.2005, Case IV/M. 1596 *ACCOR, COLONY, BLACKSTONE/VIVENDI*, 08/09/1999 and COMP/M.2197 *HILTON/ACCOR/FORTE/TRAVEL SERVICE JV*, 16/02/2001.

## VIII. CONCLUSION

17. For the above reasons, it can be concluded that the notified concentration will not impede effective competition in the common market or in a substantial part of it, therefore 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 (EC) No 139/2004.

For the Commission  
signed  
Neelie KROES  
Member of the Commission