



EUROPEAN COMMISSION
DG Competition

***Case M.8408 -
CINVEN / CPPIB /
TRAVEL HOLDINGS
PARENT
CORPORATION***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 22/05/2017

***In electronic form on the EUR-Lex website under
document number 32017M8408***



EUROPEAN COMMISSION

Brussels, 22.5.2017
C(2017) 3630 final

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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

To the notifying parties:

Subject: Case M.8408 - CINVEN / CPPIB / TRAVEL HOLDINGS PARENT CORPORATION
Commission decision pursuant to Article 6(1)(b) of Council Regulation No 139/2004¹ and Article 57 of the Agreement on the European Economic Area²

Dear Sir or Madam,

- (1) On 10 April 2017, the Commission received notification of a proposed concentration pursuant to Article 4 of the Merger Regulation by which the undertakings Fifth Cinven Fund, managed by Cinven Capital Management (V) General Partner Limited ("Cinven", United Kingdom) and the Canada Pension Plan Investment Board ("CPPIB", Canada) intend to acquire within the meaning of Article 3(1)(b) of the Merger Regulation joint control over of the Travel Holdings Parent Corporation and its subsidiaries ("the Target" or "Tourico"). The Target will subsequently be merged with Hotelbeds Travel Company, Inc., a wholly owned subsidiary of Hotelbeds US Holdco, Inc., which is jointly controlled by Cinven and CPPIB (the "Transaction"). Cinven, CPPIB and the Target are designated hereinafter as the 'Parties'.

¹ OJ L 24, 29.1.2004, p. 1 (the 'Merger Regulation'). With effect from 1 December 2009, the Treaty on the Functioning of the European Union ('TFEU') has introduced certain changes, such as the replacement of 'Community' by 'Union' and 'common market' by 'internal market'. The terminology of the TFEU will be used throughout this decision.

² OJ L 1, 3.1.1994, p. 3 (the 'EEA Agreement').

1. THE PARTIES

- (2) **Cinven** is part of the Cinven Group, a private equity business engaged in the provision of investment management and investment advisory services to a number of investment funds.
- (3) **CPPIB** is an investment management organization created by an Act of Parliament to invest the funds of the Canada Pension Plan.
- (4) Cinven and CPPIB jointly control Hotelbeds Group SLU ("HBG"), a travel related service provider headquartered in Palma de Mallorca, Spain. HBG's key areas of activities include business-to-business ("B2B") intermediation in travel services, notably intermediation in hotel accommodation including bedbanks and the provision of destination management services ("DMS") on the ground (e.g. safaris, guided tours, etc.). Its main customers include travel agencies ("TAs"), tour operators ("TOs") and government agencies ("GAs").
- (5) **The Target** is a travel-related brokerage company, headquartered in Orlando, Florida, the United States. The Target's key areas of activities include B2B intermediation in travel services, notably intermediation in hotel accommodation services through bedbanks as wholesalers of hotel room inventory. It operates a number of different brands such as Tourico Holidays and OneMinuteBooking.com in B2B services and LastMinuteTravel.com, LMTClub.com, Easy Click Travel and LastMinuteCruises.com in business-to-customers ("B2C") services. Additionally, the Target also provides B2B intermediation of DMS.

2. THE CONCENTRATION

- (6) The concentration will be implemented by way of Hotelbeds US Holdco, Inc - a wholly owned non-full-functioning subsidiary of HNVR Holdco Ltd. (United Kingdom) jointly controlled by Cinven and CPPIB through their investment in the ultimate holding company, HBG Limited, - acquiring the underlying shares of the Target and the latter subsequently being merged with its sister company Hotelbeds Travel Company Inc., a wholly owned subsidiary of Hotelbeds US Holdco Inc.
- (7) Following completion of the Transaction, Cinven and CPPIB will through Hotelbeds US Holdco, Inc. and pursuant to the Draft Investment and Shareholders' Agreement relating to HBG Limited ("the Shareholders' Agreement") between Cinven, CPPIB and Target's and HBG's management (the "Management") to be signed on closing, jointly control the Target. The Target will ultimately be integrated within HBG (the "Combined Entity").
- (8) In particular, Cinven and CPPIB will together ultimately hold, either directly or indirectly, the majority of the shares in the Combined Entity [more than 80%], but [details of Cinven and CPPIB's percentage ownership], with the remainder being held by the Management. Cinven and CPPIB will each have the power to unilaterally block actions which determine the strategic commercial behaviour of the Combined Entity, [details of internal decision making]. The Management's voting rights are limited to veto rights protecting its investment and other non-controlling voting rights, therefore not granting control over the Target.

- (9) Finally, a deadlock resolution mechanism is set up in the Shareholders Agreement, [details of internal decision making]. This confirms negative control of each of Cinven and CPPIB.
- (10) The Transaction therefore results in the acquisition of joint control within the meaning of Article 3(1)(b) of the Merger Regulation by Cinven and CPPIB over the Target.

3. UNION DIMENSION

- (11) The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 000 million (Cinven: EUR [...] million; CPPIB: EUR [...] million, the Target: EUR [...] million). Each of at least two of the undertakings concerned has a Union-wide turnover in excess of EUR 250 million (Cinven: EUR [...] million, CPPIB: EUR [...] million). None of the Parties achieves more than two-thirds of their aggregate Union-wide turnover within one and the same Member State.
- (12) The Transaction has therefore a Union dimension pursuant to Article 1(2) of the Merger Regulation.

4. MARKET DEFINITION

- (13) Apart from HBG, no portfolio company controlled by Cinven or CPPIB is active in the business segments of the Target, or in any vertically related markets.
- (14) Both HBG and the Target are active in the distribution of hotel room nights. The Target and HBG, as well as other companies such as EAN, Travco, Sunhotels or JacTravel are active on the market as bedbanks. Bedbanks are wholesalers of hotel room inventory which typically purchase at a given price or rebate structure without taking financial risk for unsold rooms and then resell the inventory through their booking platforms. Customers connect with a bedbank's entire online data platform in order to view the room nights available. On the other hand, TOs, airlines or online travel agencies (OTAs) connect with bedbanks usually via an XML-based connection, a technology that collects and makes data (in this case, hotel room inventory) from numerous bedbanks available to customers in real time and allows bookings to be made directly on the platform. Traditional brick and mortar TAs will typically connect with bedbanks through a website (HTML platform) which is usually a password protected part of the bedbank's website.
- (15) The Parties' activities mainly overlap in the markets for hotel intermediation (i.e. sourcing and distribution of hotel inventory), and (ii) intermediation in destination management services (e.g. transfers, car rental, excursions etc.).

Hotel intermediation

- (16) The Commission considered the market for hotel intermediation in Case M. 8231 – Kuoni Travel Holding / MTS Globe³, but ultimately left the product market

³ See case COMP/M.8231 - Kuoni Travel Holding / MTS Globe, paragraphs 18-21.

definition open. In another prior decision,⁴ it has however concluded that the two-sided market⁵ for the provision of global distribution systems' services constitutes separate markets. In another previous decision, the Commission also did not exclude the existence of a separate market for online travel agencies.⁶ The Commission has not yet considered the plausibility of a separate market for hotel intermediation by bedbanks only.

- (17) The Parties submit that HBG and the Target, acting as bedbanks source room inventory in competition with all distribution channels including hotels' own direct distribution channels, Global Distribution Systems ("GDS"), consolidators, as well as B2Cs, such as OTAs - for example Expedia and Booking.com - which can also source inventory directly from hotels rather than using B2B intermediaries, and therefore consider that the upstream market for hotel intermediation comprises all distribution channels for hotel inventory. Consequently, according to the Parties, a narrower market sub-segmentation limited to hotel intermediation by bedbanks would not reflect the competitive constraint exercised on the Parties by the other channels.
- (18) Similarly, on the downstream hotel B2B intermediary market, according to the Parties, there are many different types of distributors supplying hotel inventory to B2C operators (TAs, OTAs and TOs) such as GDSs, bedbanks, destination management companies (DMCs) and consolidators. As for the upstream market, B2B intermediaries are also constrained by the hotels' own direct distribution channels and OTAs.
- (19) As regards the potential online and offline segmentation, the Parties consider that the product market should include all distribution platforms.⁷
- (20) In any event, and for the purpose of this decision, the exact product market definition can be left open, as the Transaction does not raise serious doubts as to its compatibility with internal market under any plausible market definition.
- (21) As to the geographic scope of this market, the Commission recently concluded that it is world-wide on the upstream side, i.e. the sourcing of booking inventory such as hotels by travel service providers, and at least national on the downstream side, i.e. the supply of services to travel agents, tour operators, etc.⁸
- (22) The Parties consider that the geographic scope of the upstream and downstream markets for hotel intermediation is world-wide or at least EEA-wide.⁹
- (23) In any event, and for the purpose of this decision, the Commission considers that the precise scope of the relevant product and geographic markets can be left open,

⁴ See case COMP/M.4523 - Travelport/Worldspan, paragraphs 58 and 59.

⁵ Hotel intermediation is by definition a two-sided business, as hotel intermediaries are active both upstream, competing to contract for inventory from hotels and downstream, competing to sell inventory to customers.

⁶ See case M. 2794 Amadeus /GGL / JV of 2002.

⁷ Form CO, page 70.

⁸ See case COMP/M.7802 - Amadeus/Navitaire of 19 January 2016.

⁹ Form CO, page 44 and 63.

as the Transaction does not raise serious doubts as to its compatibility with the internal market regardless of whether the market is considered to be worldwide or narrower.

Intermediation of destination management services

- (24) The Commission has not previously assessed a market for the intermediation in DMS.
- (25) While considering the intermediation of DMS as a separate market, the Parties submit that its geographic scope is similar to that for intermediation in hotel accommodation, namely at least national if not regional or global.
- (26) In any event, the Commission considers that, for the purpose of this decision, the precise scope of the relevant product and geographic markets can be left open, as the Transaction does not raise serious doubts under any plausible market definition.

5. COMPETITIVE ASSESSMENT

- (27) The Transaction gives rise to horizontal overlaps and vertical links in both hotel and DMS intermediation. However, none of these overlaps and links raises serious doubts as to the compatibility of the Transaction with the internal market.

Hotel intermediation

- (28) As regards the market for hotel intermediation and according to the information submitted by the Parties, the Transaction would lead to horizontally affected markets at national level and in particular in the downstream bedbank segment in Ireland and Spain.
- (29) For the reasons set out below, the Commission considers that the Transaction would not give rise to any competition concerns under any plausible market definition.
- (30) First, the combined shares of HBG and Target and the increment brought about the Transaction are limited across the EEA and on a national basis, even when considering the narrow bedbanks only segment. At EEA level, the Parties combined market share for bedbanks is less than [10-20]% with an increment of [0-5]% in 2016; in Ireland and Spain, the Parties combined market share is [20-30%] (with an increment of [0-5]%), and [20-30]% (with an increment of [0-5]%) respectively in 2016.¹⁰
- (31) Second, HBG and Target do not appear to be close competitors, since (i) they have a different geographical focus to their businesses: while the Target sources its hotel bed inventory mainly from North America accounting for approximately [60-70]% of its inventory in 2015, HBG has less than [20-30]% of its sourcing base in North America. Conversely, while approximately [40-50]% of HBG's inventory base is in Europe, the equivalent figure for the Target is less than [20-30]%; and (ii) HBG does not focus on the Target in its price and availability

¹⁰ The Parties' position on the narrow bedbanks only online market does not change when compared to the overall bedbanks only shares including all customers both online and offline.

benchmarking exercise (regarding its own hotel portfolio and insourcing costs) but it is monitoring instead all providers including both bedbanks and B2B as well as B2C intermediaries.

- (32) In addition, the downstream market will remain highly fragmented post-merger. There are many other B2B and B2C intermediaries including bedbanks offering hotel inventories to the same downstream customers. Those competing intermediaries include other strong competitors such as Expedia, EAN, GTA, Restel, Jumbo Tours, Meeting Point, YouTravel, Sun Hotels bedbanks, etc. which are present across the EEA and at national level, including in Ireland and Spain.
- (33) Finally, large OTAs, such as Expedia and Booking.com, also seem to exercise a competitive constraint on B2B intermediaries, in particular on bedbanks, as B2B intermediaries must provide their customers with competitive terms as regards availability and prices which will enable their customers to compete for travellers with large OTAs.
- (34) The Transaction does also not give rise to any vertically affected markets, as neither Party has any controlling stakes in any hotel or hotel chain. In addition, the Parties' respective B2C operations are minimal and HBG does not currently supply the Target with any hotel inventory.¹¹

Destination Management Services

- (35) With regard to the market for intermediation of DMS, despite an overlap between HBG and the Target's activities on this market, i.e. HBG and the Target connect TAs, TOs and OTAs with providers of DMS services offering in-destination products such as transfers, car rental products, excursions, etc., the overlap does not give rise to horizontally affected markets under any plausible product and geographic market definition¹². Furthermore, the provision of B2B intermediation is ancillary to the provision of B2B hotel intermediation and represents only a small fraction of both Parties' overall total transaction value (TTV)¹³, i.e. [0-5]% of the Target's business and [0-5]% of HBG's business. Moreover, in offering B2B intermediation of DMS to customers (TAs, TOs and OTAs), the Parties are competing with all other providers of DMS (i.e. the companies, that are

¹¹ The only direct link in the EEA between HBG and the Target with respect to hotel intermediation is through HBG's Italian subsidiary Easy Market as the latter is sourcing hotel inventory through a number of bedbanks, including HBG and the Target and selling the inventory, as a consolidator, to B2C operators. However, in 2015 and 2016, Easy Market purchased only [less than 10]% of its inventory from the Target. Finally, the Target does not provide DMS and therefore source these services occasionally from HBG for selling it to customers in the context of its limited B2B intermediation in DMS activity. However, the total amount sourced by the Target from HBG is limited and estimated to amount to [less than EUR 100,000] in 2015 and [less than EUR 200,000] in 2016.

¹² Paragraph 301 of the Form CO: The combined market shares on the market for intermediation of B2B DMS will not exceed 20% either on an EEA level or on a country-by-country level. Indeed, HBG considers that its market share would not exceed 5% in any Member State [...]. The Target has, as mentioned, less sales than HBG and should consequently have even lower shares.

¹³ TTV is the total price that the end customer traveller pays for the relevant hotel room night and is used as a key performance indicator within the travel intermediary business for the purposes of internal business performance monitoring and reporting (TTV is not the revenue that a B2B hotel intermediary receives or generates on each hotel room night sold through them, but rather a total price that includes the hotel's price plus any relevant intermediary's commission or mark-up).

organising the safaris, bus transfers, guided tours etc.) who are selling directly to TAs, TOs and OTAs. These include EEA-wide active competitors such as Destination Touristic Services, Meeting Point, Destination Services, Drama Travel, Attica Holidays and Travel Exchange.

- (36) Moreover, neither do the Parties' activities give rise to any vertically affected markets. In no country do HBG's B2C operations have shares above 30% (HBG has a share of around [10-20]% or less in any of the destination countries for such services if national markets are considered and in any case below 15% if narrower segmentation than national is considered, such as city-level) and the Target does not have any B2C operations in the EEA.

Conclusion

- (37) In light of the above, and in particular considering the limited position of the Parties in the market for hotel intermediation as well as in the market for intermediation of DMS, under all plausible market definitions, the Commission considers that the Transaction would not raise serious doubts as to its compatibility with the internal market.

6. CONCLUSION

- (38) For the above reasons, the European Commission has decided not to oppose the notified operation and to declare it compatible with the internal market and with the EEA Agreement. This decision is adopted in application of Article 6(1)(b) of the Merger Regulation and Article 57 of the EEA Agreement.

For the Commission

(signed)

Margrethe VESTAGER

Member of the Commission