



EUROPEAN COMMISSION
DG Competition

Case M.8520 - CINVEN / CPPIB / GTA

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION

Date: 11/09/2017

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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 Where possible the information omitted has been replaced by ranges of figures or a general description.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.8520 - CINVEN / CPPIB / GTA
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 4 August 2017, the European Commission received notification of a proposed concentration pursuant to Article 4 of the Merger Regulation by which the undertakings Cinven Capital Management (V) General Partner Limited ("**Cinven**", United Kingdom) and the Canada Pension Plan Investment Board ("**CPPIB**", Canada) acquire within the meaning of Article 3(1)(b) of the Merger Regulation joint control over GTA Travel Holding Ltd, Kuoni Holdings and their subsidiaries (together "GTA" or the "Target"), by way of purchase of shares (the "Transaction").³ Cinven, CPPIB and GTA are designated hereinafter as the "Parties".

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 organisation created by an Act of Parliament to invest the funds of the Canada Pension Plan.

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").

³ Publication in the Official Journal of the European Union No C 262, 10.08.2017, p. 4.

- (4) GTA constitutes a carve-out from the Kuoni Group. It is engaged in intermediation of travel services, in particular business-to-business ("B2B") intermediation of hotel accommodation.
- (5) Pre-Transaction 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 B2B intermediation of travel services, notably intermediation of hotel accommodation and the provision of destination management services ("DMSs"). Its main customers include travel agencies ("TA"), tour operators ("TO") and government agencies. HBG also carries out limited business-to-consumer ("B2C") hotel intermediation services.
- (6) Cinven and CPPIB recently acquired joint control over Travel Holdings Parent Corporation ("Tourico") a travel-related brokerage company, headquartered in Orlando, Florida.⁴ Tourico's key areas of activities include B2B intermediation of travel services, notably intermediation of hotel accommodation. 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 B2C services.

2. THE OPERATION

- (7) On 20 April 2017, the Parties signed a Share and Purchase Agreement ("SPA") whereby, via the jointly controlled investment vehicle Trina Group Limited, Cinven and CPPIB will acquire all shares in the Target.
- (8) The Target will ultimately be integrated with HBG and Tourico (the "Combined Entity"), in which Cinven and CPPIB together ultimately hold, either directly or indirectly, the majority of the shares (approx. [...] % of the economic interest in total), with the remainder being held by (i) EQT, an investment fund launched in 2015 and investing primarily in Northern Europe, (ii) the Kuoni und Hugentobler – Stiftung Holding S.à r.l (the "Foundation") and (iii) the Target's management.⁵ [Information on the voting rights of EQT, the Foundation and the Target's management].
- (9) Pursuant to the draft Shareholders' Agreement, only Cinven and CPPIB will individually have veto rights with respect to the Combined Entity's budget, business plan and major investments, as well as the nomination of its Directors and Managers.⁶
- (10) Moreover, the draft Shareholders' Agreement includes a deadlock resolution mechanism between Cinven and CPPIB whereby if a solution to the deadlock cannot be agreed between Cinven and CPPIB within a given timeframe of [...], then the *status quo* will remain.

⁴ The acquisition of Tourico by Cinven and CPPIB was cleared by the Commission on 22 May 2017 (M.8408 - CINVEN/CPPIB/Travel Holdings Parent Corporation).

⁵ EQT was solely controlling Kuoni Group, of which the target was part pre-Transaction. The Foundation held 25% of the voting rights in the Kuoni Group pre-Transaction without having control over it (see M.7968 - EQT Services UK/Kuoni Travel Holding of 2016 paragraph 5).

⁶ Form CO, page 8 and 9 paragraphs 37-40.

- (11) Consequently, the Transaction 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. EU DIMENSION

The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 000 million⁷ (Cinven: EUR [...]; CPPIB: EUR [...]; Target: EUR [...]). Each of them has an EU-wide turnover in excess of EUR 250 million (Cinven: EUR [...]; CPPIB: EUR [...]; Target: EUR [...]), but they do not achieve more than two-thirds of their aggregate EU-wide turnover within one and the same Member State.

- (12) The notified operation therefore has an EU dimension within the meaning of Article 1(2) of the Merger Regulation

4. MARKET DEFINITION

- (13) Apart from HBG and Tourico, no other portfolio company controlled by Cinven or CPPIB is active in the markets in which the Target is active, or in any vertically related markets.
- (14) The activities of HBG, Tourico and the Target overlap in the market for hotel intermediation. Their activities in the market for intermediation of DMS (e.g. transfers, car rental, excursions etc.) are also vertically linked.

4.1. Market for hotel intermediation

4.1.1. Product and geographic market definition

- (15) In several prior decisions, the Commission considered the market for hotel intermediation but ultimately left the product market definition open.⁷ In another prior decision, it has however concluded that the two-sided market⁸ for the provision of global distribution systems' services constitutes a separate market.⁹ In another previous decision, the Commission did not exclude the existence of a separate market for online travel agencies.¹⁰ Finally, in a recent decision, the Commission considered the plausibility of a separate market for hotel intermediation by bedbanks only, as opposed to other types of intermediaries such as Global Distribution Systems ("GDS").¹¹ Bedbanks are wholesalers of hotel room inventory which typically purchase at a given price or rebate structure and then resell the inventory through their booking platforms.
- (16) According to the Parties, the upstream market for hotel intermediation, i.e. the sourcing of hotel bed inventory, comprises all distribution channels. Similarly, on

⁷ See, for instance, case M. 8231 - Kuoni Travel Holding / MTS Globe of 2016.

⁸ 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.

⁹ See case M.4523 - Travelport / Worldspan of 2007, paragraphs 58 and 59.

¹⁰ See case M. 2794 - Amadeus / GGL / JV of 2002.

¹¹ See case M. 8408 - Cinven / Travel Holdings Parent Corporation of 2017.

the downstream hotel intermediary market, i.e. the sale of the inventory to Tour Operators ("TOs") and Travel Agencies ("TAs"), the Parties submit that the product market should include all distribution platforms. As regards the potential online and offline segmentation, the Parties consider that the product market should include all type of intermediaries.¹²

- (17) The market investigation showed that customers, such as TAs and TOs usually use a mix of different supply channels for sourcing hotel accommodation. Besides bedbanks, they rely on hotels directly or on GDS systems as well as other intermediaries. It is standard practice not to rely on one channel only (e.g. bedbanks only).
- (18) In this respect, respondents to the market investigation indicated that sourcing hotels via GDS systems is comparable to sourcing via bedbanks, both in terms of the time and effort needed for integration in the portfolio of suppliers and in the sense that there is no difference when negotiating with GDSs or with bedbanks.
- (19) 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, and at least national on the downstream side, i.e. the supply of services to TAs, TOs etc.¹³
- (20) The Parties consider that the geographic scope of both the upstream and downstream market for hotel intermediation is world-wide or at least EEA-wide.¹⁴
- (21) The market investigation confirmed that most bedbanks source and offer worldwide hotel inventories.¹⁵

4.1.2. Conclusion

- (22) For the purpose of this case, the precise scope of the relevant product market definition can be left open between the different types of intermediaries, notably bedbanks and GDS and between online and offline customers since the Transaction would not raise serious doubts as to its compatibility with the internal market under any of the plausible definitions.
- (23) Concerning the geographic scope of hotel intermediation, for the purpose of this case it can be left open whether the market is EEA-wide or worldwide in the upstream market and at least national in the downstream market, as the Transaction does not raise serious doubts as to its compatibility with the internal market under any of these plausible markets.

¹² From CO, page 108, paragraph 412.

¹³ See case M.7802 - Amadeus / Navitaire of 2016, paragraph 45; case M. 8231 - Kuoni Travel Holding / MTS Globe of 2016, paragraph 18.

¹⁴ Form CO, page 56 paragraph 233 and page 60, paragraph 251.

¹⁵ See non-confidential minutes of conference calls with customers and competitors of 31 July 2017 and of 1, 2, 3, 9 and 18 August 2017.

4.2. Market for intermediation of DMS

4.2.1. Product and geographic market definition

- (24) The Commission has recently assessed a market for the intermediation of DMS and left the precise scope of the relevant product and geographic market open.¹⁶
- (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.

4.2.2. Conclusion

- (26) For the purpose of this case, the precise scope of the relevant product and geographic markets can be left open, as the Transaction does not appear to raise any doubts as to its compatibility with the internal market under any of the plausible markets.

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.

5.1. Market for hotel intermediation

Upstream

- (28) The Transaction does not give rise to affected markets at EEA level nor at worldwide level in the upstream hotel intermediation market under any plausible market definition. In the narrower market for bedbanks upstream the Parties combined market shares reach approx. [10-20]% on a worldwide level and [10-20]% on an EEA level.

Downstream

- (29) On the downstream hotel intermediation market, according to the information submitted by the Parties, five affected markets arise only when considering the narrow market for bedbanks at national level, namely: Ireland, the Netherlands, Romania, Spain and the United Kingdom.¹⁷

¹⁶ See case M. 8231 - Kuoni Travel Holding / MTS Globe of 2016, paragraph 12.

¹⁷ The Parties' position on the narrow "online" national bedbanks segment gives rise to affected markets in Denmark (combined market share of [20-30]%, increment of [0-5]%), Germany (combined market share of [20-30]%, increment of [5-10]%), Ireland (combined market share of [30-40]%, increment of [0-5]%), the Netherlands (combined market share of [20-30]%, increment of [0-5]%), Spain (combined market share of [30-40]%, increment of [0-5]%) and the United Kingdom (combined market share of [20-30]%, increment of [5-10]%). When considering the narrow "offline" bedbanks only segment, the Transaction gives rise to affected market in France (combined market share of [30-40]%, increment of [10-20]%), Ireland (combined market share of [30-40]%, increment of [10-20]%), the Netherlands (combined market share of [20-30]%, increment of [0-5]%) and the United Kingdom (combined market share of [30-40]%, increment of [10-20]%). The Commission's assessment on the narrow bedbanks online/offline narrower markets does not change when compared to the overall

- (30) 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.
- (31) First, the Parties' combined share is limited across the EEA reaching [30-40]% at most on a national basis, even when considering the narrow bedbanks segment. At EEA level, the Parties combined market share for bedbanks is less than [20-30]% in 2016. At national level, the market shares are also moderate, reaching in Ireland, the Netherlands, Romania, Spain and the United Kingdom, a combined market share respectively of [30-40]% (with an increment of [0-5]%), [20-30]% with an increment of [5-10]%), [20-30]% (with an increment of [10-20]%), [20-30]% (with an increment of [0-5]%), and [20-30]% (with an increment of [5-10]%).
- (32) Second, additional competitors are present in the downstream market including Expedia EAN, Restel, Jumbo Tours, Meeting Point, YouTravel, Jac Travel etc. which are present across the EEA and at national level.
- (33) Third, the Parties do not appear to be close competitors due to the different geographic focuses of HBG, Tourico and the Target. While HBG's largest customer base is the EEA, generating [...]% of its turnover, Tourico's customer base is concentrated in North America, generating approximately [...]% of its turnover. The Target on the other hand generated less than [...]% of its turnover from customers based in North America in 2016 and [...]% from customers based in the EEA. In particular, the Target has a significantly larger focus on Asian and Pacific ("APAC") than both HBG and Tourico, also generating [...]% of its turnover from customers based there in 2016, in contrast to the corresponding figures for HBG ([...]%) and Tourico ([...]%). Similarly, the Target also has a stronger focus than HBG on sourcing inventory from hotels in APAC, with approx. [...]% of its Total Transaction Value ("TTV") in 2016 being generated from sales of hotel room inventory located in APAC in comparison to [...]% for HBG.
- (34) In addition, hotels across various destinations are able to swiftly switch among a number of different bedbanks, including switching from established players (such as HBG and the Target) to new entrants. New entrants include: HotelsPro, Lotsofhotels, Travel Boutique Online.
- (35) Fourth, vertically integrated OTAs such as Expedia and Booking.com also exercise a competitive constraint, as B2B intermediaries must provide their customers (i.e. non-integrated OTAs, TAs and TOs) with terms that enable those customers to compete with that vertically integrated OTAs on availability and prices towards travellers.
- (36) Finally, respondents to the market investigation did not raise any competitive concerns with respect to the impact of the Transaction.¹⁸
- (37) In light of the above, the Transaction does not give rise to serious doubts on the market for hotel intermediation, neither upstream nor downstream.

bedbanks only segment including all customers both online and offline – see paragraphs 29-36 of this Decision.

¹⁸ See non-confidential minutes of conference calls with customers and competitors of 31 July 2017 and of 1, 3, 9 and 18 August 2017.

5.2. Market for Intermediation of DMS

- (38) With regard to the market for intermediation of DMS, despite an overlap between HBG and the Target's activities on this market, the Transaction does not give rise to horizontally affected markets under any plausible product and geographic market definition.
- (39) 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 (worldwide) TTV, i.e. [...] % of the Target's business and [...] % of HBG's business and [...] % of Tourico's business. Moreover, in offering B2B intermediation of DMS to customers (TAs, TOs and OTAs), the Parties are competing with all other providers of B2B hotel intermediation who generally also provide B2B intermediation of DMS. In addition, the Parties are competing also with the actual providers of DMS (i.e. the companies that are 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.
- (40) Finally, neither do the Parties' activities give rise to any vertically affected markets. Only HBG is active in the actual provision of DMS with 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 [10-20] % if narrower segmentation than national is considered, such as city-level.

6. CONCLUSION

- (41) 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