



EUROPEAN COMMISSION  
DG Competition

***Case M.10126 - APOLLO MANAGEMENT /  
LOTTOMATICA VIDEOLOT RETE /  
LOTTOMATICA SCOMMESSE***

Only the English text is available and authentic.

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

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Article 4(4)  
Date: 15/03/2021



EUROPEAN COMMISSION

Brussels, 15.3.2021  
C(2021) 1871 final

## PUBLIC VERSION

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 Where possible the information omitted has been replaced by ranges of figures or a general description.

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Italian Competition Authority  
Piazza G. Verdi, 6/A,  
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**Subject:**        **Case M.10126 – APOLLO MANAGEMENT / LOTTOMATICA  
VIDEOLOT RETE / LOTTOMATICA SCOMMESSE  
Commission decision following a reasoned submission pursuant to  
Article 4(4) of Regulation No 139/2004<sup>1</sup> for referral of the case to Italy  
and Article 57 of the Agreement on the European Economic Area<sup>2</sup>.**

**Date of filing: 09.02.2021**

**Legal deadline for response of Member States: 02.03.2021**

**Legal deadline for the Commission decision under Article 4(4): 16.03.2021**

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<sup>1</sup> 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.

<sup>2</sup> OJ L 1, 3.1.1994, p. 3 (the 'EEA Agreement').

Dear Sir or Madam,

## 1. INTRODUCTION

- (1) On 9 February 2021, the Commission received by means of a Reasoned Submission a referral request pursuant to Article 4(4) of the Merger Regulation with respect to the transaction cited above. The parties request the operation to be examined in its entirety by the competent authorities of Italy.
- (2) According to Article 4(4) of the Merger Regulation, before a formal notification has been made to the Commission, the parties to the transaction may request that their transaction be referred in whole or in part from the Commission to the Member State(s) where the concentration may significantly affect competition and which present all the characteristics of a distinct market.
- (3) A copy of this Reasoned Submission was transmitted to all Member States on 9 February 2021.
- (4) The Autorità Garante della Concorrenza e del Mercato ("AGCM") as the competent authority of Italy did not oppose to the proposed referral request.

## 2. THE PARTIES

- (5) The parties to the proposed transaction include:
  - Apollo Management, L.P. (Apollo Management, L.P., its affiliates, and funds managed by its affiliates are referred to together hereinafter as "Apollo"). Apollo invests by acquitting equity holdings and debt instruments issued by companies involved in various businesses worldwide.
  - Gamenet Group S.p.A. ("Gamenet") is controlled by investment funds managed by affiliates of Apollo. Gamenet provides gaming and betting services in Italy. In particular, Gamenet's subsidiaries hold concessions granted by the Italian Agenzia delle Dogane e dei Monopoli (Customs and Monopolies Agency, the "ADM").<sup>3</sup> In addition, Gamenet manages owned gaming halls and owned amusement with prize machines ("AWPs").
  - Lottomatica Videolot Rete S.p.A. ("LVR") and Lottomatica Scommesse S.r.l. ("LS") (LS together with LVR are referred to as the "Target Companies") are both subsidiaries of Lottomatica Holding S.r.l. ("Lottomatica"), an Italian company active in the provision of gaming and betting services.<sup>4</sup> LVR has a concession granted by ADM for AWP's and video lottery terminals ("VLTs"). LS has concessions granted by ADM for the management of sports betting and gaming through the retail network and online betting and gaming.

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<sup>3</sup> The ADM is the governmental authority responsible for regulating and supervising gaming in Italy, for the management of amusement with prize machines, video lottery terminals, sports betting and gaming through the retail network, and online betting and gaming.

<sup>4</sup> Lottomatica is in turn controlled by International Game Technology PLC ("IGT"), a company listed on the New York Stock Exchange, and which is also active in the design and distribution of cabinets, games, systems, and software for customers in regulated gaming markets.

### 3. THE OPERATION AND CONCENTRATION

- (6) The notified operation involves the acquisition of sole control by Apollo over the Target Companies, through Gamenet (the “Transaction”). The Transaction therefore constitutes a concentration within the meaning of Article 3(1)(b) of the EU Merger Regulation.

### 4. EU DIMENSION

- (7) The undertakings concerned have a combined aggregate worldwide turnover of more than EUR 5 000 million and each of them has an EU-wide turnover in excess of EUR 250 million. Apollo does not achieve more than two-thirds of its aggregate Union-wide turnover within one Member State. The notified operation therefore has an EU dimension pursuant to Article 1(2) of the Merger Regulation.

### 5. ASSESSMENT

#### 5.1. Relevant product markets

- (8) In previous cases, the Commission left open whether different types of games and bets constitute a single or separate relevant market, due to their specific features.<sup>5</sup>
- (9) The Commission considered that, in theory, the gaming and betting market could be segmented between: (i) games (Lotto, national lotteries); (ii) bets (horseracing and sports betting); and (iii) gaming machines installed in public halls.<sup>6</sup>
- (10) The AGCM has also considered the definition of markets in the gaming sector a number of times over recent years.<sup>7</sup> According to the AGCM, all gaming and betting activities (including bingo, Lotto, lotteries, AWP, VLT, and other games sold through both physical and online channels) belong to a single product market. The different types of gaming and betting activities would be variations of the same type of game services supplied, which constitutes a “*continuum*” that is not appropriate to segment.
- (11) According to the Parties, the Transaction concerns the (i) overall market for betting and gaming services in Italy, as well as for its three main segments: (ii) gaming machines, including AWP and VLTs (iii) betting services, and (iv) games.
- (12) For the purpose of the present Transaction, the exact product market definition for gaming and betting services can be left open as the outcome of the assessment of the referral request would not differ irrespective of any of the plausible product market definition.

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<sup>5</sup> M.4114 - *Lottomatica/GTECH*, Commission decision of 19 May, 2006; M.5313 - *Serendipity Investment/Eurosport/JV*, Commission decision of 16 February, 2009; and M.6775 - *TCP Cable/International Cable Holdings/Kutxabank/Euskaltel*, Commission decision of 4 December, 2012.

<sup>6</sup> M.4114 - *Lottomatica/GTECH*, Commission decision of 19 May, 2006, paragraph 7.

<sup>7</sup> Case C12188 - *Gamenet/Goldbet*, AGCM decision of September 13, 2018; Case I804 - *Admiral Entertainment-Lottomatica Holding/Newco*, AGCM decision of January 25, 2017; Case C12050 - *International Acquisitions Holding/Rcs Media Group*, AGCM decision of July 6, 2016; Case C12052 - *TCP Lux Eurinvest/Intralot Holding & Services*, AGCM decision of June 15, 2016; Case C12010 - *Global Win-Global Entertainment/Cogemat*, AGCM decision of September 3, 2015.

## 5.2. Relevant geographic market

- (13) Both the Commission and the AGCM have concluded that the relevant geographic scope of the relevant market(s) for gaming and betting services is national, considering both the supply side and the demand side.<sup>8</sup> The Commission has considered that the demand for gaming and betting services has national particularities. In particular, from the supply side, the market is national due to the national regulations<sup>9</sup> and the different systems for managing concessions to operators, which are still mainly national.<sup>10</sup> In its recent decisions, the AGCM noted that a national geographic market definition is also appropriate for online gaming and betting services which, according to ADM's rules, ADM's concessionaires may offer only to residents in Italy.<sup>11</sup>
- (14) In the past, the AGCM also considered smaller relevant geographic markets defined by points of sale that would be limited to provinces because of limits on how far customers travel.<sup>12</sup>
- (15) The Parties do not dispute these different approaches.

## 5.3. Assessment of the referral request

### 5.3.1. Legal requirements

- (16) According to the Commission Notice on case referral, in order for a referral to be made by the Commission to one or more Member States pursuant to Article 4(4), the following two legal requirements must be fulfilled:
- a) there must be indications that the concentration may significantly affect competition in a market or markets,<sup>13</sup> and
  - b) the market(s) in question must be within a Member State and present all the characteristics of a distinct market.<sup>14</sup>

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<sup>8</sup> M.8058 – *Novomatic/Lottomatica/JV*, paragraph 16; see also M.4114 – *Lottomatica/GTECH*, paragraph 14; Case C12188 – *Gamenet/Goldbet*, AGCM decision of 13 September, 2018, paragraph 7.

<sup>9</sup> Also, gambling activities are outside the scope of the Services Directive (Article 2 of Directive 2006/123/EC of the European Parliament and of the Council of 12 December 2006 on services in the internal market) so that there is no EU regime for cross-border gambling.

<sup>10</sup> M.8058 – *Novomatic/Lottomatica/JV*, paragraph 16; see also M.4114 – *Lottomatica/GTECH*, paragraph 14.

<sup>11</sup> Case C12188 – *Gamenet/Goldbet*, AGCM decision of 13 September, 2018, paragraph 7.

<sup>12</sup> Case C12188 – *Gamenet/Goldbet*, AGCM decision of 13 September, 2018, paragraph 8. The AGCM acknowledged that competition from online service providers may weaken the local delineation of this market. However, this statement was made only with respect to the more narrowly defined local geographic markets and not with respect to the national geographic market.

<sup>13</sup> Further developed in point 17 of the Commission Notice on Case Referrals.

<sup>14</sup> Further developed in point 18 of the Commission Notice on Case Referrals.

5.3.1.1. *Indications that the concentration may significantly affect competition in one market or more markets*

- (17) On the basis of the information submitted by the Parties in their Reasoned Submission, the Transaction would give rise to affected markets in the national gaming machines market and national betting services market (see Table I below):

*Table I – National gaming machines (AWPs and VLTs) market and national betting services market*

<b>Italy (2019)</b>	<b>Gamenet</b>	<b>Target Companies</b>	<b>Combined</b>
Gaming machines market	[10-20]%	[20-30]%	[30-40]%
Betting services market	[10-20]%	[5-10]%	[20-30]%

- (18) Moreover, based on market share data provided by the Parties, their combined shares would exceed 20% in some narrowly defined product and geographic segments that have previously been considered by the AGCM for the distribution of gaming and betting services through local points of sale limited to Italian provinces.
- (19) The Parties have explained that ADM does not publish data at the provincial level, except for the number of betting licenses.<sup>15</sup> As a result, they have submitted market share at provincial level only for betting services (see Table II). In addition, they have provided market shares data at regional level for other segments (see Tables III-IV):

*Table II – Betting services market by province<sup>16</sup>*

<b>Provincial level (2021) (average)</b>	<b>Gamenet</b>	<b>Target Companies</b>	<b>Combined</b>
Betting services market	[10-20]%	[10-20]%	[20-30]%

*Table III – Overall physical gaming and betting services market by region*

<b>Regional level (2021) (average)</b>	<b>Gamenet</b>	<b>Target Companies</b>	<b>Combined</b>
Overall gaming and betting services market	[10-20]%	[10-20]%	[20-30]%

*Table IV – Gaming machines (AWPs and VLTs) market by region*

<b>Regional level (2021) (average)</b>	<b>Gamenet</b>	<b>Target Companies</b>	<b>Combined</b>
Gaming machines market	[10-20]%	[10-20]%	[30-40]%

- (20) From the above, the Commission therefore considers that there are indications that the Transaction may significantly affect the following markets: (i) gaming machines at national level [30-40%]; (ii) betting services at national level [20-30%]; (iii) overall gaming and betting services at regional level [average [20-30] %]; (iv) gaming machines at regional level [average [30-40] %]; and (v) betting services at provincial level [average [20-30] %].

<sup>15</sup> Form RS, paragraphs 44-45 and relevant Annexes.

<sup>16</sup> The data provided by the Parties does not include online betting.

- (21) Therefore, the first legal requirement set forth by Article 4(4) of the EU Merger Regulation appears to be met.

5.3.1.2. *The market(s) in question are within the concerned Member State and present all the characteristics of a distinct market*

- (22) In line with the above, the overall market for gaming and betting services, as well as the potential gaming machines and betting services markets, are of a national dimension. Based on the AGCM past practice, narrower markets for the distribution of gaming and betting services through local points of sale limited to province could also exist.
- (23) In view of the foregoing, the preliminary assessment suggests that the principal effects of the proposed operation on the said affected markets is limited to Italy and that the affected markets in question present each all the characteristics of a distinct market.
- (24) Therefore, the second legal requirement set forth by article 4(4) of the Merger Regulation also appears to be met.

5.3.2. *Additional factors*

- (25) In addition to the verification of the legal requirements, point 19 of the Notice provides that it should also be considered whether referral of the case is appropriate, and in particular “whether the competition authority or authorities to which they are contemplating requesting the referral of the case is the most appropriate authority for dealing with the case”.
- (26) In addition, point 23 of the Notice states that “[c]onsideration should also, to the extent possible, be given to whether the NCA(s) to which referral of the case is contemplated may possess specific expertise concerning local markets, or be examining, or about to examine, another transaction in the sector concerned”.
- (27) Italy’s AGCM has extensive and specific expertise in examining the gaming and betting markets.<sup>17</sup>
- (28) In case M.8058 - *Novomatic / Lottomatica / JV*, the Commission noted that: (i) the market for gaming and betting services and its potential AWP-VLT segment were national; (ii) the AGCM had in-depth experience reviewing the market for gaming and betting services, so that it was well-equipped to deal with the case; and (iii) the referral request preserved the “one-stop-shop”, since the AGCM would be the only competition authority to which the case would be referred.<sup>18</sup>
- (29) The same reasoning applies to the Transaction.

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<sup>17</sup> See for instance: Case C12188 - *Gamenet/Goldbet*, AGCM decision of 13 September, 2018; Case I804 – *Admiral Entertainment-Lottomatica Holding/Newco*, AGCM decision of 25 January, 2017; Case C12050 - *International Acquisitions Holding/Rcs Media Group*, AGCM decision of 6 July, 2016; Case C12052 - *TCP Lux Eurinvest/Intralot Holding & Services*, AGCM decision of 15 June, 2016; Case C12010 - *Global Win-Global Entertainment/Cogemat*, AGCM decision of 3 September, 2015.

<sup>18</sup> M.8058 - *Novomatic/Lottomatica/JV*, Commission decision of 5 September 2016, paragraphs 18 and 27-28.

5.3.3. *Conclusion on referral*

- (30) On the basis of the information provided by the parties in the Reasoned Submission, the case meets the legal requirements set out in Article 4(4) of the Merger Regulation in that the concentration may significantly affect competition in a number of markets within a Member State which present all the characteristics of a distinct market.
- (31) Moreover, as explained above, AGCM would be best placed to examine the effects of the Transaction.

**6. CONCLUSION**

- (32) For the above reasons, and given that Italy did not oppose to the proposed referral request, the Commission has decided to refer the transaction in its entirety to be examined by Italy. This decision is adopted in application of Article 4(4) of the Merger Regulation and Article 57 of the EEA Agreement.

*For the Commission*

*(Signed)*  
*Olivier GUERSENT*  
*Director-General*