



## DETERMINATION OF MERGER NOTIFICATION M/16/007 - LADBROKES/GALA CORAL

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### Section 21 of the Competition Act 2002

### Proposed merger of Ladbrokes plc and certain businesses of Gala Coral Group Limited

Dated 10 March 2016

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#### Introduction

1. On 3 February 2016, in accordance with section 18(1) of the Competition Act 2002, as amended (“the Act”), the Competition and Consumer Protection Commission (the “Commission”) received a notification of a proposed transaction whereby Ladbrokes plc (“Ladbrokes”) would merge with certain businesses of Gala Coral Group Limited (“Gala Coral”), comprising Coral Retail, Eurobet Retail and Gala Coral's online businesses (collectively, the “Target Businesses”).
2. Pursuant to a merger agreement dated 24 July 2015 (the “Merger Agreement”), it is intended that Ladbrokes will merge with the Target Businesses to create Ladbrokes Coral plc. The proposed merger will be effected by means of the acquisition by Ladbrokes of the entire issued share capital of Gala Group Finance plc, the holding company for the Target Businesses, in consideration for the issue to Gala Group Finance plc of 45.88% of the enlarged issued share capital of the merged entity, excluding treasury shares. As a result of the proposed transaction, Gala Group Finance plc will acquire 45.88% of the enlarged issued share capital of the merged entity and Ladbrokes will acquire the remaining 54.12%.

#### The Undertakings Involved

##### *Ladbrokes*

3. Ladbrokes, a public limited company incorporated in the United Kingdom, is a multi-channel betting and gaming company that offers betting, casino games, poker and bingo to consumers in regulated jurisdictions through the internet, by telephone and in licensed betting offices (“LBOs”). Its LBOs are located in the State, United Kingdom, Belgium and Spain. Ladbrokes provides its betting and gaming services through the website Ladbrokes.com and its associated websites, through its telephone betting facility and via mobile applications. Ladbrokes also owns and operates the online betting exchange, Betdaq, which offers online person-to-person betting whereby customers come together in order to bet at odds set by themselves or offered by other customers.



4. For the financial year ending 31 December 2014, Ladbrokes' worldwide turnover was €[...], of which €[...] was generated in the State.

#### *The Target Businesses*

5. Coral Retail owns and operates 1,851 LBOs in the United Kingdom under the Coral brand. Eurobet Retail owns 871 LBOs in Italy under the Eurobet brand. Neither Coral Retail nor Eurobet Retail own or operate any LBOs in the State.
6. In the State, the Target Businesses provide online betting and gaming services through the websites coral.co.uk, galabingo.com and galacasino.com. Gala Coral also offers mobile applications through which customers in the State can access gaming and betting services, as well as a telephone betting service.
7. For the financial year ending 27 September 2015, the Target Businesses' worldwide turnover was approximately €1.2 billion, of which €[...] was generated in the State.

#### **Rationale for the Proposed Transaction**

8. The parties state in the notification:

*“The proposed transaction seeks to achieve three principal commercial objectives. The merger aims firstly to strengthen the parties' online and multichannel offerings as a response to the significant numbers of retail customers who are migrating to online betting and gaming operators. In addition, it is hoped that the removal of duplicate costs and functions will allow the merged entity to generate considerable cost synergies and operational efficiencies. On the basis of the collective presence of the parties in Spain, Belgium and Italy (as well as Ireland and the UK), the proposed transaction also seeks to diversify risk and to allow the merged entity to expand its international footprint.”*

#### **Third Party Submissions**

9. No submission was received.

#### **Competitive Analysis**

10. There is a horizontal overlap between the parties' activities in the State with respect to the provision of online betting, online gaming and telephone betting services in the State.<sup>1</sup> There is also a potential vertical relationship between the parties since Ladbrokes sells live betting exchange data to one online betting service provider in the State.
11. The online gambling industry comprises online betting services and online gaming services. There are two broad types of online betting: (a) fixed-odds betting; and (b)

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<sup>1</sup> There is no horizontal overlap between the parties' activities with respect to the provision of betting services in LBOs in the State since the Target Businesses do not own or operate any LBOs in the State.



exchange betting. Paragraphs 15-21 of the Commission's merger determination in *M/15/059 – Paddy Power/Betfair* provide a description of the online gambling industry.

12. The Commission defines markets to the extent necessary depending on the particular circumstances of a given case. In this instance, the Commission does not need to come to a definitive view on whether the provision of online fixed-odds betting services is in the same product market as the provision of online exchange betting services because the precise product market definition will not materially alter the Commission's assessment of the competitive impact of the notified transaction. The parties' activities in relation to online betting only overlap in the provision of online fixed-odds betting services since the Target Businesses do not own or operate an online betting exchange. In order to determine whether the proposed transaction might result in a substantial lessening of competition, the Commission considers the narrowest relevant product market to be the market for the provision of online fixed-odds betting services and has assessed the proposed transaction's impact on competition in this potential market.
13. The Commission also does not need to come to a definitive view on whether the provision of online gaming services is in the same product market as the provision of online betting services since its conclusion on the likely competitive impact of the proposed transaction will be unaffected whether the relevant product market is defined narrowly (e.g., the provision of online gaming services) or more broadly to encompass the provision of both online gaming services and online betting services. In order, however, to determine whether the proposed transaction might result in a substantial lessening of competition, the Commission assessed its impact on competition by reference to the narrowest possible relevant product market, namely the provision of online gaming services.
14. The Commission has also considered the impact of the proposed transaction on competition for the provision of telephone betting services, but it is not necessary in this instance for the Commission to come to a definitive view on the precise product market definition in this regard as it would not have a material impact on the Commission's competitive assessment of the proposed transaction.
15. Similarly, the Commission does not need to come to a definitive view on the precise geographic market definition for any of the potential product markets identified above since its conclusion on the competitive impact of the proposed transaction will be unaffected whether the relevant geographic market is defined as national or is defined more widely to encompass both the State and the United Kingdom. In order, however, to determine whether the proposed transaction might result in a substantial lessening of competition, the Commission assessed its impact on competition by reference to the narrowest possible relevant geographic market, namely the State.
16. In conclusion, for the purpose of its competitive assessment, the Commission examined the competitive impact of the proposed transaction in the following three potential markets:
  - the provision of online fixed-odds betting services in the State;
  - the provision of online gaming services in the State; and



- the provision of telephone betting services in the State.
17. Below, the Commission sets out in detail its assessment of the competitive impact of the proposed transaction in each of the three potential markets listed above.

#### **The Provision of Online Fixed-odds Betting Services in the State**

18. For the reasons set out below, the Commission considers that the proposed transaction will not substantially lessen competition in the potential market for the provision of online fixed-odds betting services in the State.
19. First, the Target Businesses generated net gambling revenue<sup>2</sup> of approximately only €[...] in 2015 in the provision of online fixed-odds betting services in the State. The parties state in the notification that Ladbrokes and the Target Businesses had estimated market shares in 2015 of [0-5]% and [0-5]%, respectively, in the provision of online fixed-odds betting services in the State. Thus, the increment in market share following the proposed transaction will be very small.
20. Second, as noted in paragraph 65 of the Commission's merger determination in *M/15/059 – Paddy Power/Betfair*, there are a number of large online fixed-odds betting service providers currently active in the State including: Paddy Power Betfair,<sup>3</sup> BoyleSports, Bet365, William Hill and Sky Bet. These online fixed-odds betting service providers will act as a competitive constraint on Ladbrokes Coral plc post-transaction.
21. In light of the above, the Commission considers that the proposed transaction will not substantially lessen competition in the potential market for the provision of online fixed-odds betting services in the State.

#### **The Provision of Online Gaming Services in the State**

22. For the reasons set out below, the Commission considers that the proposed transaction will not substantially lessen competition in the potential market for the provision of online gaming services in the State.
23. First, the Target Businesses generated net gambling revenue of approximately only €[...] in 2015 in the provision of online gaming services in the State. The parties state in the notification that the Target Businesses had an estimated market share in 2015 of only [0-5]% in the provision of online gaming services in the State. Thus, the increment in market share following the proposed transaction will be very small.
24. Second, as noted in paragraph 76 of the Commission's merger determination in *M/15/059 – Paddy Power/Betfair*, there are a number of large online gaming service providers currently active in the State including: Paddy Power Betfair, BoyleSports, Bet365, William Hill and Sky Bet. These online gaming service providers will act as a competitive constraint on Ladbrokes Coral plc post-transaction.

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<sup>2</sup> This represents the total amount staked (i.e., the total amount of money received from customers placing bets) less winnings and other costs.

<sup>3</sup> The proposed merger of Paddy Power plc and Betfair Group plc was cleared by the Commission on 15 January 2016.



25. In light of the above, the Commission considers that the proposed transaction will not substantially lessen competition in the potential market for the provision of online gaming services in the State.

#### **The Provision of Telephone Betting Services in the State**

26. For the reasons set out below, the Commission considers that the proposed transaction will not substantially lessen competition in the potential market for the provision of telephone betting services in the State.
27. First, the Target Businesses generated [...] net gambling revenue of approximately [...] in 2015 in the provision of telephone betting services in the State.<sup>4</sup> The parties state in the notification that while Ladbrokes had a market share in 2015 of approximately [10-15]% in the provision of telephone betting services in the State, the Target Businesses have a minimal market share in telephone betting. Thus, the increment in market share following the proposed transaction will be negligible.
28. Second, Paddy Power Betfair and BoyleSports will act as a competitive constraint on Ladbrokes Coral plc in the provision of telephone betting services in the State post-transaction.
29. In light of the above, the Commission considers that the proposed transaction will not substantially lessen competition in the potential market for the provision of telephone betting services in the State.

#### **Vertical Overlap – The Provision of Live Betting Exchange Data to Online Betting Service Providers in the State**

30. There is a potential vertical relationship between the parties since Ladbrokes (which operates its own online betting exchange, Betdaq) currently supplies live betting exchange data to one online betting service provider in the State ([...]) who uses this data to inform its decisions when setting prices for fixed-odds events.
31. The Commission considered whether the merged entity may have the ability to foreclose rival fixed-odds betting service providers from the market by, for example, withholding live betting exchange data.
32. The Commission considers that the merged entity will not have the ability to foreclose rival fixed-odds betting service providers from the market by restricting access to live betting exchange data. Betdaq's live betting exchange data is not an essential input for an online fixed-odds betting service provider. This is evidenced by the fact that only [...] purchases live betting exchange data from Betdaq.
33. In addition, there are alternative sources of betting data available to online fixed-odds betting service providers other than Betdaq's live betting exchange data, including:

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<sup>4</sup> The Target Businesses generated turnover in 2015 of approximately €[...] from the provision of telephone betting services in the State.



- Other betting exchanges such as Betfair,<sup>5</sup> Matchbook and Smarkets;
  - Odds comparison websites such as Oddschecker, Bestbetting and At The Races;
  - “Screen-scraping” odds from the websites of other betting service providers; and
  - Business-to-business intermediaries such as Betradar, Sporting Index and TXODDS.
34. For the reasons given above, the Commission considers that access to Betdaq’s live betting exchange data is not essential for an online betting service provider to compete effectively in the provision of online betting services in the State. The Commission therefore considers that the merged entity will not have the ability to foreclose rival online betting service providers in the State by restricting access to Betdaq’s live betting exchange data.
35. In light of the above, the Commission considers that the proposed transaction will not substantially lessen competition in any market for goods or services in the State.

#### **Ancillary Restraints**

36. In the notification, a copy of the Merger Agreement between the parties to the proposed transaction was provided, which contains a non-solicitation clause on [...]. None of these restrictive obligations exceeds the maximum duration acceptable to the Commission.<sup>6</sup> The Commission considers these restrictions to be directly related to and necessary for the implementation of the proposed transaction.

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<sup>5</sup> As noted in the Commission’s merger determination in *M/15/059 – Paddy Power/Betfair*, Betfair is the biggest online betting exchange in the State.

<sup>6</sup> In this respect, the Commission follows the approach adopted by the EU Commission in paragraphs 20 and 26 of its “Commission Notice on restrictions directly related and necessary to concentrations” (2005). For more information see [http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52005XC0305\(02\)&from=EN](http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52005XC0305(02)&from=EN)



### **Determination**

The Competition and Consumer Protection Commission, in accordance with section 21(2)(a) of the Competition Act 2002, has determined that, in its opinion, the result of the proposed transaction whereby Ladbrokes plc would merge with certain businesses of Gala Coral Group Limited, comprising Coral Retail, Eurobet Retail and Gala Coral's online businesses, will not be to substantially lessen competition in any market for goods or services in the State, and accordingly, that the acquisition may be put into effect.

For the Competition and Consumer Protection Commission

**Gerald FitzGerald**  
**Member**  
**Competition and Consumer Protection Commission**