



BEFORE THE
COMPETITION COMMISSION OF PAKISTAN

IN THE MATTER OF
FIRST PHASE REVIEW

JOINT ACQUISITION OF GTA TRAVEL HOLDING LIMITED,
KUONI HOLDINGS PLC AND THEIR SUBSIDIARIES BY
CINVEN CAPITAL MANAGEMENT (V) GENERAL PARTNER
LIMITED & CANADA PENSION PLAN INVESTMENT BOARD .
CASE: 897/Merger-CCP/17

Commission

Ms. Vadiyya Khalil
Chairperson



Ms. Ikram Ul Haque Qureshi
Member

Order

I Background

1 On 07 June 2017, the Fifth Cinven Fund, managed by Cinven Capital Management (V) General Partner Limited (“**Cinven**”) and Canada Pension Plan Investment Board (“**CPPIB**”) (collectively, the “**Applicants**” or the “**Acquirers**”) submitted a pre-merger application (the “**Application**”) notifying and seeking clearance from the Competition Commission of Pakistan (the “**Commission**”), for the intended acquisition of GTA Travel Holdings Limited, Kuoni Holdings Plc and their subsidiaries (collectively, “**GTA**” or the “**Target**”) by way of share purchase. The Application was filed along with the necessary information under Section 11 of the Competition Act, 2010 (the “**Act**”) read with Regulation 6 of the Competition (Merger Control) Regulations, 2016 (the “**Merger Regulations**”).

II Merger Parties

Acquirers

2 Cinven, a private equity business headquartered in London, United Kingdom, is engaged in the provision of investment management and advisory services to a number of investment funds. The companies in Cinven’s portfolio are active in a wide range of sub-sectors on an international basis: business services, technology, media and telecommunication, financial services, industrials, healthcare, and consumers. While CPPIB is an investment management organization created by an Act of the Parliament of Canada in 1977. According to the Applicant, CPPIB invests the funds of the Canada Pension Plan and is independently governed at an arm’s length from the government of Canada. CPPIB principally invests in public equities, private equities, real estate, infrastructure and fixed income investments. Cinven and CPPIB jointly control HBG Limited which, in turn, owns Hotelbeds Group (HBG) and Travel Holding Parent Corporation (Tourico).

3 HBG key areas of activity include business-to-business (“B2B”) intermediation of travel services, *in particular*, intermediation of hotel accommodation, and the provision of destination management e.g. transfer, excursions and tours, cruise handling services, meetings and events in the destination. Its lead brands include Hotelbeds and Bedsonline business-to-business (B2B) as well as Destination Services, Pacific World and Intercruises. The company also carries out limited business-to-consumer (B2C) hotel intermediation services through the brand Hotelopedia and Easy Market as well as through white label agreements with EasyJet Holidays.

4 Tourico also operates as an intermediation of travel services offering hotel inventory, cruises, flights, car rental, home rental, and vacation packages (B2B) through Tourico Holidays. Also, its brand OneMinuteBooking is a member-only site for the US travel agents providing access to inventory for air and land accommodations as well as vacation package capability (B2B).



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In B2C services, Tourico owns and operates LastMinuteTravel.com, LMTClub.com Easy Click Travel, and LastMinuteCruises.com. The brands provide online booking for hotels, flights, cruises, and rental cars and vacations homes.

- 5 According to the Applicants, Tourico, HBG, and GTA will in due course be combined into one business. Any reference to HBG in the Application means HBG and Tourico. In Pakistan, HBG is only active in the intermediation of hotel room inventory B2B customers *i.e.* Tour Operators (TOs), and Online Travel Agencies (OTAs).
- 6 The value of Cinven's assets as on 31 December 2016 was EUR (PKR @ 1 EUR=PKR 120.95) while its turnover for the same period remained at EUR (approximately, The company generated EUR (PKR from Pakistan.
- 7 The value of CPPIB's assets as on 31 March 2017 was CAD (PKR @ 1CAD= PKR 80.96) while its turnover for the same period remained at CAD (PKR @ 1CAD= PKR 80.96). CPPIB generated EUR (PKR in Pakistan.

Target

- 8 GTA is part of the Kuoni Group, which is owned by EQT VII (EQT), which is an EQT investment fund active primarily in Northern Europe. GTA is active in the B2B intermediation of hotel room inventory to Travel Agents (TA), OTAs, TOs, and consolidators². For the purpose of the intended transaction, GTA will be carved out from the Kuoni Group. Prior to the closing of the proposed transaction, EQT will undertake a restructuring of the Kuoni Group business in order to separate GTA from other businesses within the Kuoni Group, including GTS (Global Travel Services) and VFS Global.
- 9 The value of Kuoni Group's assets as on 31 December 2016 was CHF 1,689 (PKR @ 1 CHF= PKR 108.30) while its turnover for the same period remained at CHF (approximately, PKR GTA achieved a worldwide turnover of EUR (approximately, PKR while in Pakistan it achieved a turnover of EUR (approximately,

III Transaction

- 10 Pursuant to the scheme of merger envisaged in the Share Purchase Agreement dated 20 April 2017, the Acquirers will jointly acquire GTA through HBG. Post transactions, GTA will be integrated within HBG and Tourico (the "Merged Entity"). The transaction value is estimated at EUR .



² A company or individual who negotiates bulk contracts with an airline (or other travel supplier) and sells that space to the general public.

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(PKR @1EUR=120.05) in cash subject to customary purchase price adjustment.

- 11 The transaction meets the notification thresholds prescribed in Regulation 4(2)(a), (b), (c) & (d) of the Merger Regulations, with the parties, combined assets valuing more than PKR 1 billion and turnover being more than PKR 1 billion. The transaction value also exceeds PKR 100 million and the percentage of shares to be acquired exceeds 10% of the total shareholding of the Target.

IV Relevant Market

- 12 GTA and HBG are essentially internet based intermediaries, also known as bedbanks and compete with other intermediaries or bedbanks *such as* Expedia, Inc., and Booking.com etc. These companies source, *inter alia*, hotel rooms and maintain and offer a portfolio of hotel rooms to TAs, TOs and OTAs (B2B services) who in turn resell the inventory *i.e.* hotel rooms and other ancillary services to the end-consumer *i.e.* travelers in packages or otherwise (B2C services). B2B and B2C and direct sales between Hotels and end-customers are generally substitutable services. For the purposes of the proposed transaction and keeping in view the business of the Merged Entity, the relevant market is defined as "Hotel Intermediary Services" wherein the relevant product market may include sales by and between all B2B and B2C intermediaries, which are generally substitutable by consumers from the perspectives of price and service characteristics.

- 14 The relevant geographic market for the purposes of the proposed merger is at least national in character on the downstream side as the customers in B2B *i.e.* TAs, TOs or B2C *i.e.* travelers, keeping in view the travel destination, are eventually domestic. However, the provision of booking inventory by travel service providers is upstream in character and is global in scope.

V Findings of the Phase-I Competition Assessment

- 15 The competition assessment in Phase-I is as follows:
- i The proposed transaction is a cross-border merger that involves the joint acquisition of GTA by the Acquirers, to be merged into HBG. Since GTA and HBG and its subsidiaries are both active in the relevant market, the proposed transaction gives rise to horizontal overlaps in hotel intermediary services, in particular, on a national level.
 - ii According to the Applicants, apart from HBG, none of their portfolio companies are active in the business segment of the Target, or in any vertically related business. However, the proposed transaction gives rise to limited vertical links, mainly in the upstream market for hotel intermediary services and between the travel industry operators mainly involving TAs, OTAs, and TOs who resell the inventory offered by the Merged Entity.



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- iii Based on the market shares provided by the Applicants, HBG currently has a worldwide market share of . . . in the relevant market while GTA has a market share of . . . which is likely to result in a total of . . . market share, post merger. On the domestic market, the market share of the HBG ranges between . . . while GTA has approximately . . . which is likely to result in the combined market share of . . . in the relevant market, post-merger.
- iv The Merged Entity's commercial activities as online travel intermediary in the relevant market are largely complementary with GTA focusing on the Asian market and HBG having a strong presence in Europe and North America. The complementarity of the business activities of the Merged Entity is likely to generate efficiencies and expansion of its scale of operations in the two regions. The relevant market is relatively an open market in nature and there are numerous international global online travel and tourism operators such as Expedia, Inc., Booking.com, etc., who compete on pricing, credit card security concerns, human contacts, and accurate reservations. The industry is highly competitive and is continuously evolving and its players are changing their business models on an ongoing basis.
- v On each of these markets, the increment resulting from the proposed merger ranges between . . . in the relevant market. Post-Merger, the market share of the Merger Entity in the relevant market will remain well below the threshold of 40% as envisaged in Section 2(1)(e) of the Act. Hence, the proposed transaction does not meet the presumption of dominance as prescribed under Section 2(1)(e) read with Section 3 of the Act and accordingly is not likely to result in the creation or strengthening of dominant position in the relevant market.

VI Conclusion

- 16 In conclusion, the proposed transaction is unlikely to substantially lessen competition through the creation or strengthening of a dominant position in the relevant market. The proposed transaction is hereby authorized under Section 31(1)(d)(i) of the Act.
- 17 It is so ordered.



Vadiyya S. Khalil
(Chairperson)



Ikram Ul Haque Qureshi
(Member)

