

MERGER BETWEEN LADBROKES PLC AND CERTAIN BUSINESSES OF GALA CORAL GROUP LIMITED

Notice of proposal to accept Final Undertakings pursuant to sections 41 and 82 of, and Schedule 10 to, the Enterprise Act 2002 and public consultation on the proposed Final Undertakings

Background

1. On 24 July 2015, Ladbrokes plc (Ladbrokes) agreed to merge with certain businesses (Coral) of Gala Coral Group Limited (Gala Coral) by way of the acquisition by Ladbrokes of the entire issued share capital of GC Group (Jersey) Limited, which is the holding company of Coral (the Transaction).
2. On 11 January 2016, the Competition and Markets Authority (CMA) made a reference to its chair in accordance with section 33(1) of the Enterprise Act 2002 (the Act) for the constitution of a Group under Schedule 4 to the Enterprise and Regulatory Reform Act 2013 to investigate and report on the proposed merger between Ladbrokes and Coral.
3. On 18 July 2016, the CMA accepted undertakings from Ladbrokes and Gala Coral in accordance with section 80(2) of the Act for the purpose of preventing pre-emptive action.
4. The CMA decided to conduct a review, concurrent with its assessment of the Transaction, of whether, by reason of any change of circumstances, the undertakings given by Hilton Group plc on 27 October 1999 (the 1999 Undertakings) were no longer appropriate and the relevant parties could be released from the undertakings or the undertakings needed to be varied or to be superseded by new undertakings.
5. On 26 July 2016, the CMA published its report entitled 'Ladbrokes and Coral: A report on the anticipated merger between Ladbrokes plc and certain businesses of Gala Coral Group Limited' (the Report).
6. The Report concluded, inter alia, that:
 - (a) the Transaction, if carried into effect, will result in the creation of a relevant merger situation;

- (b) the creation of that situation may be expected to result in a substantial lessening of competition (SLC) within 642 local markets in Great Britain for the supply of gambling products in local betting offices (LBOs); and within the market for the supply of gambling products in Great Britain, as a result of the aggregated loss of competition at the local level;
- (c) the CMA should take action for the purpose of remedying, mitigating or preventing the SLC concerned or any adverse effect which may be expected to result from it;
- (d) a divestiture, to one or more suitably qualified up-front purchasers, of a Ladbrokes or a Coral LBO in each of the 642 local markets where an SLC had been identified would be effective and proportionate in remedying, mitigating or preventing the SLC and any resulting adverse effect (noting that it may be possible for divestiture of one or more LBOs to solve the SLC in more than one local market);
- (e) the divestiture would be accompanied by an obligation on Ladbrokes and Gala Coral not to re-acquire any of the divested LBOs for a period of ten years from the date of acceptance of the final undertakings; and
- (f) there have been changes of circumstances since the report of the Monopolies and Mergers Commission 'A report by the Monopolies and Mergers Commission on the merger situation involving Ladbrokes Group plc and the Coral betting business – CMA4030, September 1998', by reason of which, and taking into account the assessment of the dynamics of the current local and national competition landscape, and having concluded that the SLC can be comprehensively remedied by the adoption of a divestiture remedy, the CMA has decided that the 1999 Undertakings are no longer appropriate and should be superseded by the final undertakings.

7. Pursuant to the Report, Ladbrokes and Gala Coral will identify the LBOs proposed for disposal which will comprise the divestiture package that will be subject to approval by the CMA in accordance with the principles set out in the Report. The Report further concluded that the Transaction may not be completed until a sale and purchase agreement satisfactory to the CMA has been executed with a suitably qualified purchaser (or with each purchaser, if more than one) in respect of the LBOs to be divested. An initial divestiture period of [] months was set out in the Report and the CMA reserved the right to appoint a divestiture trustee if the CMA would be of the view that the divestiture would not likely be completed prior to the end of the divestiture period. The proposed undertakings detail the process for implementation of these aspects of the divestiture as well as other related matters.

8. The CMA has reached agreement with Ladbrokes and Gala Coral on the terms of the proposed undertakings to remedy the SLCs identified in the Report and the adverse effects which flow from them, and the proposed undertakings are annexed to this Notice.

Notice of proposal to accept undertakings

9. The CMA now gives notice of the proposed undertakings under paragraph 2 of Schedule 10 to the Act that:
 - (a) the CMA proposes to accept the annexed proposed undertakings;
 - (b) the proposed undertakings seek to address the SLCs identified in the Report and the adverse effects which may be expected to flow from them in the 642 local markets in Great Britain for the supply of gambling products in licensed betting offices (LBOs) set out in Appendix J to the Report and within the market for the supply of gambling products in Great Britain; and,
 - (c) the CMA proposes that the annexed proposed undertakings shall supersede the 1999 undertakings and that, if the CMA accepts the proposed undertakings, the 1999 undertakings shall cease to be in force and shall be removed from the register of undertakings and orders.
10. The CMA invites written representations on the proposed undertakings from any person or persons who wish to comment. Representations should reach the CMA by 5pm on 26 September 2016 (15 days starting with the date of publication of this notice) and should be addressed to:

Remedies Manager
Ladbrokes and Coral Merger Inquiry
Competition and Markets Authority
Victoria House
Southampton Row
London
WC1B 4AD

or by email to: ladbrokes.coral@cma.gsi.gov.uk

11. The CMA will consider any representations made in accordance with this Notice and may make modifications to the proposed undertakings as a result. In the absence of any written representations, or in the event that the CMA decides, on consideration of representations made and not withdrawn, not to amend the proposed undertakings, the CMA proposes to accept the undertakings in their present form pursuant to section 82 of the Act. If the

CMA considers that any representation necessitates any material change to the proposed undertakings, the CMA will give notice of the proposed modifications.

12. Once accepted the final undertakings may be varied, superseded or released by the CMA under section 82(2) of the Act.
13. This Notice and a non-confidential version of the proposed undertakings will be published on the CMA website.

Signed by authority of the CMA

Martin Cave Group

Chair

12 September 2016