

Anticipated merger of Flutter Entertainment plc and The Stars Group Inc.

Summary of the CMA's decision on relevant merger situation and substantial lessening of competition

ME/6865/19

Please note that [X] indicates figures or text which have been deleted or replaced in ranges at the request of the parties or third parties for reasons of commercial confidentiality.

SUMMARY

1. The proposed transaction (the **Merger**) relates to the purchase by Flutter Entertainment plc (**Flutter**) of the whole of the issued share capital of The Stars Group Inc. (**Stars**). Flutter and Stars are together referred to as the **Parties** and, for statements referring to the future, the **Merged Entity**.
2. The Competition and Markets Authority (**CMA**) believes that it is or may be the case that each of Flutter and Stars is an enterprise; that these enterprises will cease to be distinct as a result of the Merger; and that the turnover test is met. Accordingly, arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation.
3. The Parties overlap in the supply of online gambling services to customers in the UK. Gambling services broadly fall into two categories: 'betting' (which involves customers gambling on the outcome of various events such as horse racing, greyhound races, football, etc), and 'gaming' (which involves customers gambling on digitised versions of casino games or other games such as bingo and poker). The Parties both have brands that are active in sportsbook betting, where bets are made between a customer and a bookmaker, where the customer 'backs' (bets that an outcome will occur) and the bookmaker 'lays' (bets that the outcome will not occur). In addition, they both have brands active in poker, casino and bingo.

4. Flutter owns the Paddy Power and Betfair brands through which it provides online gambling services. Paddy Power also provides gambling services through its retail estate.
5. Stars provides gambling services in the UK primarily through the Sky Bet brand, in addition to several online gaming brands, including PokerStars, Sky Poker and Sky Casino, among others. Stars only provides these services online.
6. In addition:
 - (a) Stars operates an odds comparison website, Oddschecker, which displays the odds and promotions offered by a wide range of operators across multiple sports and events;
 - (b) Flutter operates a betting exchange via the Betfair brand, Betfair Exchange, and supplies betting exchange data to other gambling operators. Betfair Exchange also has affiliate partnerships with matched betting websites.¹
7. The CMA has assessed the impact of the Merger in relation to the following frames of reference:
 - (a) The supply of online sportsbook betting services in the UK;
 - (b) The supply of online poker services in the UK, a specialist subset of gaming activities;
 - (c) The supply of odds comparison services in the UK;
 - (d) The supply of betting exchange data in the UK; and
 - (e) The supply of matched betting services in the UK.
8. The Parties overlap in the supply of online betting and gaming services. In its competitive assessment, the CMA considered whether, as a result of horizontal unilateral effects, the Merger may lead to a substantial lessening of competition (**SLC**), focusing in particular on effects in the supply of online sportsbook betting and online poker services in the UK.
9. The Parties also operate at different levels of the supply chain. Stars provides odds comparison services to competitors who are listed on Oddschecker's platform, allowing customers to see the odds and promotions offered by a

¹ Matched betting websites are subscription-based websites that allow customers to place 'matched bets', ie bets with different bookmakers on both outcomes of an event such that they cannot lose.

range of competing bookmakers. Flutter supplies betting exchange data to competing online bookmakers to assist them with their pricing, as well as to matched betting websites who in turn supply matched betting services to UK customers. The CMA therefore considered whether, as a result of non-horizontal effects in the supply of odds comparison services, exchange data and matched betting services, the Merged Entity would have the ability and incentive to raise its prices, refuse to supply or reduce the quality of its services (ie engage in foreclosure) to harm rival online bookmakers or matched betting websites.

10. In relation to the supply of online betting services, the Merged Entity would have a share of supply of [30-40]% with an increment of [10-20]%. The CMA considers that the Parties are one of a number of close competitors to one another.
11. However, the CMA found, based on a broad range of evidence including the Parties' regular customer surveys, internal documents and third party evidence, that there are a number of players in the market who would continue to act as a strong constraint on the Merged Entity. In particular, the CMA considers that, post-Merger, three prominent online sportsbook operators, bet365, GVC/Ladbrokes Coral and William Hill, will continue to compete strongly with the Merged Entity in terms of odds, promotions and product offering. In addition, the CMA found that there are a number of operators with a smaller presence in the UK (including Betway, Betfred, BetVictor and others) who would provide a degree of constraint on the Merged Entity.
12. Overall, the CMA found that online betting customers tend to have multiple accounts with different operators, can switch between them easily and that innovations are closely monitored and replicated amongst online sportsbook operators to attract and retain customers.
13. In light of the above evidence, the CMA does not believe that the Merger gives rise to a realistic prospect of an SLC as a result of horizontal unilateral effects in the supply of online betting services.
14. In relation to the supply of online poker services, the Merged Entity would have a high share of supply, with a small increment. The CMA considers that Flutter has a minor presence in this market and that, based on evidence from the Parties and third parties, Flutter does not compete closely with Stars' primary poker brand, PokerStars.² Therefore, the CMA considers that the

² Stars also owns Sky Poker and Full Tilt, that are both active in poker but have a minor presence compared with PokerStars.

Parties do not currently exercise a particularly strong competitive constraint on one another, and that the Merged Entity would continue to face constraints from a number of alternative providers of online poker, including GVC/Ladbrokes Coral and 888. Accordingly, the CMA does not believe that the Merger gives rise to a realistic prospect of an SLC as a result of horizontal unilateral effects in the supply of online poker services.

15. In relation to the supply of odds comparison services in the UK, the CMA considers that Stars' Oddschecker has a degree of market power in the provision of odds comparison services. The CMA found that Stars may have the ability to harm competing online bookmakers by removing them from the Oddschecker platform, raising fees charged to be on the platform or displaying them less prominently than the Parties' brands. However, the CMA concluded that the Merged Entity will have no incentive to engage in this strategy post-Merger because the potential increase in revenue resulting from any customer diversion gained as a result of such a strategy would be outweighed by the risk of a material loss of consumer traffic and associated revenues made by Oddschecker. Accordingly, the CMA does not believe that the Merger gives rise to a realistic prospect of an SLC as a result of vertical effects in the supply of odds comparison services.
16. In relation to the supply of betting exchange data through Flutter's Betfair Exchange, the CMA found that the Merged Entity will have no ability to foreclose competing online bookmakers either by refusing to supply Betfair's exchange data (total foreclosure), or by raising the price of such data (partial foreclosure) because there are alternative sources of information available to betting operators and, at present, very few bookmakers purchase Betfair's exchange data. Accordingly, the CMA does not believe that the Merger gives rise to a realistic prospect of an SLC as a result of vertical effects in the supply of betting exchange data.
17. In relation to the supply of matched betting services, the CMA considered whether the Merged Entity would have the ability or incentive to foreclose matched betting websites, either by terminating Betfair Exchange's relationship with them or by negotiating the removal of the Parties' sportsbooks from these websites by threatening to terminate the Betfair Exchange relationship. The CMA found that these websites [redacted]. The CMA considers that the Merged Entity would have the ability to engage in foreclosure of matched betting websites by terminating Betfair Exchange's partnerships with these websites. However, the available evidence indicates that the revenue made by Betfair Exchange as a result of these partnerships [redacted], and that this strategy could also affect Betfair Exchange's overall competitiveness [redacted]. The CMA therefore considers that post-Merger, the

Merged Entity would not have the ability or incentive to engage in foreclosure strategies in respect of matched betting websites. Accordingly, the CMA does not believe that the Merger gives rise to a realistic prospect of an SLC as a result of non-horizontal effects in the supply of matched betting services.

18. For these reasons, the CMA does not believe that the Merger gives rise to a realistic prospect of an SLC in the UK as a result of horizontal unilateral or non-horizontal effects in respect of any frame of reference.
19. The Merger will therefore **not be referred** under section 33(1) of the Enterprise Act 2002 (the **Act**).