

COMPLETED ACQUISITION BY SPREADEX LIMITED OF THE B2C BUSINESS OF SPORTING INDEX LIMITED

SUMMARY OF FINAL REPORT

22 NOVEMBER 2024

OVERVIEW

1. The Competition and Markets Authority (**CMA**) has found that the completed acquisition (the **Merger**) by Spreadex Limited (**Spreadex**) of the business-to-consumer (**B2C**) business of Sporting Index Limited (**Sporting Index**) has resulted, or may be expected to result, in a substantial lessening of competition (**SLC**) in the supply of licensed online sports spread betting services in the UK.
2. Spreadex and Sporting Index are each a **Party** to the Merger; together they are referred to as the **Parties** and, for statements relating to the situation post-Merger, as the **Merged Entity**.
3. Spreadex submitted a proposed remedy intended to address the competition concerns we had provisionally found. Following a thorough assessment of the proposal, including further information-gathering from Spreadex and third parties, we found that a version of this remedy, with some modifications and enhancements, would be sufficient to restore the competition lost as a result of the Merger.

THE PARTIES AND THEIR PRODUCTS AND SERVICES

The Parties

4. Spreadex provides online sports betting services, primarily to customers based in the UK. Spreadex offers both fixed odds and spread betting services, covering a range of sports including football, Formula 1 motor racing, rugby, rowing, golf and greyhound racing. It also provides financial spread betting and casino betting services. The turnover of Spreadex in FY23 was approximately £88.9 million in the UK.

5. Sporting Index provides online sports betting services primarily in the UK, with minimal sales to customers in Ireland and Gibraltar. Sporting Index offers both fixed odds and spread betting services. The turnover of Sporting Index Limited in FY22 was around £9.8 million worldwide, almost all of which was earned in the UK.
6. Spreadex acquired Sporting Index from Sporting Group Holdings Limited (**Sporting Group**), a subsidiary of La Française des Jeux (**FDJ**), on 6 November 2023. The Merger did not include the purchase of the business-to-business (**B2B**) activities of Sporting Group (namely, **Sporting Solutions**), which was retained by FDJ following a corporate restructure implemented in advance of the Merger, and which it then agreed to sell to another company in August 2024.
7. The Sporting Index business acquired by Spreadex comprised a number of assets, including the Sporting Index Limited legal entity, which, following the corporate restructure, owned or comprised the Sporting Index brand, intellectual property (**IP**), domain names, regulatory licences, customer lists, deferred tax losses, trade debtors and trade creditors/approvals and six employees.

The Parties' products and services

8. Online sports betting services involve a customer staking an amount of money (ie the initial stake) on the outcome of a sports event, or on the likelihood of an event occurring or not occurring. A customer's 'payoff' is the amount they stand to win if their bet is successful, and their 'losses' are the amount they stand to lose.
9. In fixed odds betting, the payoff is determined based on odds set in advance and the losses are capped based on the amount of the initial stake. In spread betting, the provider offers a spread (or range) of outcomes and allows customers to 'buy' (predict higher than the spread) or 'sell' (predict lower than the spread). Customers choosing to buy will win if the outcome is higher than the predicted level and lose if it is lower. Customers choosing to sell will win if the outcome is lower than the predicted spread and lose if it is higher. The payoff is determined based on 'how right' the customer is and both the payoff and the losses can be far higher than the initial amount staked. There are many different outcomes that customers can choose to bet on. By way of example, customers can bet on how many goals will be scored in a football match or the total minutes of all goals scored by headers in a football match; how many sixes will be hit in a cricket match, or how many runs a team or individual player will score in a cricket match.

OUR ASSESSMENT

Why are we examining this Merger?

10. The CMA's primary duty is to seek to promote competition for the benefit of UK consumers, including the investigation of mergers that could raise significant competition concerns in the UK where it has jurisdiction to do so.
11. In this case, the CMA has jurisdiction over the Merger because Spreadex and Sporting Index have a combined share of supply, by revenue, of 100% (with an increment of ~~8%~~ [20-30%] as a result of the Merger) in the supply of licensed online sports spread betting services in the UK, meaning that the share of supply test is met.

How have we examined this Merger?

12. In assessing the competitive effects of a completed merger, the question we are required to answer is whether the merger has resulted in an SLC, or there is an expectation – ie a more than 50% chance – that the merger may be expected to result in an SLC, within any market or markets in the UK.
13. To determine whether this is the case, we have gathered a substantial volume of evidence that we considered in the round to reach our findings. We have considered and augmented the information collected during the CMA's phase 1 investigation (the first stage of the investigatory process), including by gathering further evidence from a wide variety of sources, using our statutory powers where necessary, to assess the potential impact of the Merger on competition in the UK.
14. We have received several submissions and responses to information requests from the Parties, including Sporting Group and FDJ, and from third parties, and held a 'teach-in' and two hearings with Spreadex. The evidence we have received includes internal documents, views on the competitive landscape and the impact of the Merger, and a range of quantitative evidence, including a 'natural experiment' conducted by Spreadex, betting activity data and financial performance data. We sent a questionnaire to the Parties' highest value customers to obtain their views on the Merger. We have also collected evidence (including contemporaneous internal documents) from third parties regarding the sale process and any plans to acquire the target had the Merger not gone ahead.
15. Based on this evidence, we have focussed on whether the Merger has resulted, or may be expected to result, in horizontal unilateral effects in the supply of licensed online sports spread betting services in the UK. Horizontal unilateral effects can arise when one firm merges with a competitor, allowing the merged entity profitably to raise prices (or in this case, widen spreads) or degrade non-price

aspects of its competitive offering (such as quality, range, service and innovation) on its own and without needing to coordinate with any rivals.

16. When assessing whether a merger has resulted, or may be expected to result, in an SLC as a result of horizontal unilateral effects, the CMA's main consideration is whether there are sufficient remaining alternatives to constrain the merged entity. Amongst other factors, our assessment has therefore focussed on the extent to which the Parties are constrained by providers of unlicensed sports spread betting, sports fixed odds betting or financial spread betting.

What would have happened absent the Merger?

17. To determine the impact that the Merger has had, or may be expected to have, on competition, we have considered what would likely have happened absent the Merger, to provide a comparator. This is known as the counterfactual.
18. In this case, based on submissions and evidence received from the Parties and third parties, we have focussed on what would have happened to Sporting Index absent the Merger, and in particular whether (a) Sporting Index was likely to have exited the market (whether through failure or otherwise), and (b) there would not have been an alternative, less anti-competitive purchaser (to Spreadex) for Sporting Index or its assets. We have considered whether alternative bidders for the B2C business of Sporting Index would likely have acquired Sporting Index or its assets (either in the form acquired by Spreadex, or a different configuration of assets with the support of a transitional services agreement (**TSA**) from Sporting Group).
19. In doing so, we have reviewed internal documents, analysed financial data, and gathered evidence from the seller, professional advisors on the sale process, and alternative bidders for the Sporting Index business.
20. While Sporting Group had not engaged in detailed discussions with alternative bidders during the sale process on the scope, duration and pricing of a potential TSA, Sporting Group was prepared to be flexible in relation to the scope of the TSA services required by potential purchasers. Based on the evidence provided to us, we are not persuaded that, had the Merger not gone ahead, there would not have been an alternative, less anti-competitive purchaser.
21. In view of the above, we conclude that the appropriate counterfactual is that the B2C business, under the ownership of an alternative bidder, would have continued to compete in the supply of licensed online sports spread betting services, broadly in line with the pre-Merger conditions of competition.

What did the evidence tell us?

... about the relevant market?

22. Where the CMA makes an SLC finding, this must be 'within any market or markets in the United Kingdom for goods or services'. The CMA is therefore required to identify the market or markets within which an SLC has resulted, or may be expected to result. Market definition can also be a helpful analytical tool to identify the most significant competitive alternatives available to customers of the merger firms.
23. In this case, we have considered whether one or more of sports fixed odds betting providers, financial spread betting providers and unlicensed sports spread betting providers form part of the relevant market, or should instead be considered as out-of-market constraints on the Parties. We have considered a range of evidence, including third party views (including from sports fixed odds providers, financial spread providers, unlicensed sports spread betting providers, and customers of the Parties), quantitative data and the Parties' internal documents.
24. In relation to sports fixed odds betting, on the basis of the evidence provided to us, our view is that:
 - (a) on the demand-side, neither customers nor sports fixed odds betting providers see sports fixed odds betting products as close alternatives to sports spread betting products; and
 - (b) on the supply-side, although some assets are used to supply both sports fixed odds betting and sports spread betting, sports fixed odds betting providers would face significant challenges to supplying sports spread betting products.
25. In relation to financial spread betting providers and unlicensed sports spread betting providers:
 - (a) Financial spread betting providers told us that they did not compete with sports spread betting providers, which is also supported by customer evidence and the Parties' internal documents.
 - (b) Similarly, customers concerned about the Merger told us that unlicensed sports spread betting providers were not credible alternatives, as they lack certain customer protections and are unable to solicit customers in the UK.
26. On the basis of the evidence provided to us, we have concluded that the relevant market is the supply of licensed online sports spread betting services in the UK, and that any constraint from sports fixed odds betting providers, financial spread

betting providers or unlicensed sports spread betting providers will be addressed in the competitive assessment as an out-of-market constraint.

... about the Parties' positions in licensed online sports spread betting?

27. As the Parties' are the only two suppliers of licensed online sports spread betting services in the UK, they have a combined share of 100% (with an increment of [X] [20-30%] as a result of the Merger).
28. Where there are only two providers operating in the relevant market, our starting point is that they will necessarily be each other's closest competitors. This position was supported by the Parties' internal documents and the evidence provided to us from third parties, including customers.

... about the competitive constraints on the Parties?

29. As noted above, the Parties are the only two firms active in the supply of licensed online sports spread betting services in the UK. We have therefore considered the strength of the competitive constraint imposed on the Parties by out-of-market competitors, namely unlicensed sports spread betting firms, financial spread betting firms and sports fixed odds betting firms.
30. Our assessment of the evidence provided to us is, in summary:
 - (a) Spreadex's internal documents show that it was aware that it faced no other licensed sports spread betting competitors, other than Sporting Index. While there are some examples of Spreadex monitoring sports fixed odds betting providers, this is consistent with competition between Spreadex's fixed odds business and fixed odds competitors, rather than any constraint on its sports spread betting business. We have not seen evidence in the Parties' internal documents, or other evidence provided by the Parties, that financial spread betting providers or unlicensed sports spread betting providers exert any competitive constraint on the Parties.
 - (b) Of the 33 responses to our questionnaire, only two customers told us that they would switch to sports fixed odds betting if their preferred sports spread betting provider were unavailable. Similarly, only two customers told us that they would switch to unlicensed sports spread betting providers, and only one customer told us that they would switch to a financial spread betting provider.
 - (c) Sports fixed odds betting providers told us that there were significant differences between sports fixed odds betting and sports spread betting, and that they did not compete, or only competed 'weakly', with the Parties.

31. We therefore concluded that the remaining out-of-market competitive constraints on the Parties following the Merger (including unlicensed sports spread betting firms, financial spread betting firms and sports fixed odds betting firms) are weak.
32. In view of the above, and in particular given the closeness of competition between the Parties, and the absence of sufficient alternative competitive constraints, we have concluded that that the Merger raises competition concerns in the supply of licensed online sports spread betting services in the UK, with resulting adverse effects in terms of one or more of worse range, user experience and prices than would otherwise have been, or be, the case absent the Merger. Therefore, subject to our findings on countervailing factors, the Merger has resulted, or may be expected to result, in an SLC, with the above resulting adverse effects.

...about any countervailing factors that prevent or mitigate an SLC arising?

33. We have also considered whether there are any countervailing factors that prevent or mitigate an SLC arising from the Merger, in particular, (a) any entry and/or expansion and (b) any Merger efficiencies.
34. To assess entry and/or expansion we have considered whether there are any barriers to entry or expansion into licensed online sports spread betting in the UK. Having considered views of the Parties and other industry participants, our conclusion is that developing or acquiring the required technology would be a significant barrier to entry, making it very difficult for any entry into the supply of licensed online sports spread betting to be timely, likely and sufficient to prevent an SLC arising from the Merger. We have also not seen evidence of any potential entrants planning to enter into the market in a way that would be timely, likely and sufficient to prevent an SLC arising from the Merger. Barriers to expansion may be lower but there are no existing competitors in the UK market for licensed online sports spread betting and so the barriers to entry we have identified would need to be overcome first.
35. To assess merger efficiencies, we have considered whether benefits submitted by the Parties, in the form of a better product and customer experience for Sporting Index customers by using Spreadex's platform, (a) enhance rivalry in the relevant market, (b) are timely, likely and sufficient to prevent an SLC, (c) are merger specific, and (d) benefit customers in the UK. We have found that that the claimed efficiencies are not merger-specific, as the benefits would have been available to Sporting Index customers with or without the Merger, and do not enhance rivalry, given that the Parties are the only two providers of licensed online sports spread betting in the UK and face weak out-of-market constraints.
36. On this basis, we concluded that there are no countervailing factors to prevent or mitigate an SLC arising from the Merger.

DECISION

37. In view of the above, we have found that:
- (a) the Merger has resulted in the creation of a relevant merger situation, and
 - (b) the creation of that situation has resulted, or may be expected to result, in an SLC in the supply of licensed online sports spread betting services in the UK.

HOW WILL WE ADDRESS THE CONCERNS THAT WE HAVE FOUND?

38. Where we conclude that a merger has resulted, or may be expected to result, in an SLC, we are required to decide what, if any, action should be taken for the purpose of remedying, mitigating or preventing that SLC, or any adverse effect resulting from it. In assessing possible remedies, we have sought to identify remedies that will be effective in addressing the SLC and the resulting adverse effects that we have found and then select the most proportionate remedy that we consider to be effective.
39. Spreadex submitted a divestiture remedy to address the concerns which we had provisionally found, including:
- (a) proposing to divest its shares in the Sporting Index legal entity, including all of the Sporting Index assets which Spreadex had acquired under the Merger (as summarised at paragraph 7);
 - (b) proposing that Spreadex develop a bespoke sports spread betting platform – given that Sporting Index’s pre-Merger platform has not been operational since Merger completion – by re-purposing key elements of Sporting Index’s existing systems, while integrating new technology and developing new components as necessary, to form part of the divestiture package; and
 - (c) proposing that Spreadex provide the purchaser with a TSA to operate the Sporting Index business for a transitional period, while the purchaser makes the investments required to build up the personnel and functions that it did not have, to allow it to operate the business in the manner that Sporting Index had operated it prior to the Merger.
40. Following extensive consultation, including with third parties, and a detailed assessment of the effectiveness of Spreadex’s remedy proposal, we have found that the risks we had provisionally found (for example, in relation to Spreadex’s involvement in the development of a competing betting platform, and the timescales for the development of the bespoke sports spread betting platform)

could be mitigated through a number of modifications and enhancements to Spreadex's remedy proposal.

41. We have therefore concluded that the divestiture remedy proposed by Spreadex, subject to certain modifications and enhancements detailed in our final report, would be an effective and proportionate remedy to address the SLC and the resulting adverse effects.

WHAT HAPPENS NEXT?

42. The CMA will now take steps to implement the remedy described above, and will consult publicly on the approach to be taken.
43. In line with statutory requirements, the CMA will implement its remedy decision by accepting final undertakings or making a final order within 12 weeks of publication of the final report, which may be extended once by up to six weeks if there are special reasons for doing so.