

# Completed Acquisition by Spreadex Limited of the B2C Business of Sporting Index

## SUMMARY

### Overview of the CMA's decision

1. The Competition and Markets Authority (**CMA**) believes that the completed acquisition by Spreadex Limited (**Spreadex**) of the business-to-consumer (**B2C**) business of Sporting Index Limited (**Sporting Index**), gives rise to a realistic prospect of a substantial lessening of competition (**SLC**) as a result of horizontal unilateral effects in the supply of licensed online sports spread betting services in the UK.
2. Spreadex agreed to acquire Sporting Index from Sporting Group Holding Limited (**Sporting Group**), a subsidiary of La Française des Jeux (**FDJ**), and the transaction completed on 6 November 2023 (the **Merger**).
3. Spreadex and Sporting Index are together referred to as the **Parties** and, for statements relating to after the Merger, the **Merged Entity**.
4. As the CMA has found that the Merger gives rise to a realistic prospect of an SLC, Spreadex has until 11 April 2024 to offer undertakings in lieu of a reference (**UILs**) to the CMA that will remedy the competition concerns identified. If no such undertaking is offered, then the CMA will refer the Merger pursuant to sections 22(1) and 34ZA(2) of the Enterprise Act 2002 (the **Act**).

### Who are the businesses and what products/services do they provide?

5. Spreadex and Sporting Index both provide online sports fixed odds betting services and online sports spread betting services (together, **online sports betting services**), primarily to customers based in the UK. Spreadex is also active in financial spread betting and casino betting.
6. The CMA focused its investigation on the supply of online sports spread betting, which only the Parties are licensed to provide in the UK.

## **Why did the CMA review this merger?**

7. The CMA's primary duty is to seek to promote competition for the benefit of consumers. It has a duty to investigate mergers that could raise competition concerns in the UK, provided it has jurisdiction to do so.
8. In this case, the CMA has concluded it has jurisdiction to review this Merger because a relevant merger situation has been created.
9. A relevant merger situation is created when, as a result of a transaction, two enterprises cease to be distinct and either (a) the target company generates more than £70 million of turnover in the UK; or (b) the merger results in the merged firm having a share of supply of goods or services of any description in the UK (or substantial part of the UK) of 25% or more, and the merger results in an increment to the share of supply.
10. On 6 November 2023, Spreadex acquired control over Sporting Index. Each of Spreadex and Sporting Index is an enterprise and, as a result of the Merger, these enterprises have ceased to be distinct.
11. The Merged Entity has a share of 100% in the supply of licensed online sports spread betting services in the UK (with the Merger having resulted in an increment).

## **What evidence has the CMA looked at?**

12. In assessing this Merger, the CMA considered a wide range of evidence in the round.
13. The CMA received several submissions and responses to information requests from Spreadex. The CMA examined internal documents and emails to understand Spreadex's rationale for pursuing the Merger and the competitive dynamics of the markets it operates in.
14. The CMA also received information from FDJ and Sporting Group on alternative purchasers for Sporting Index and FDJ's plans for Sporting Index in the event that a suitable purchaser for the business was not found.
15. The CMA also spoke to and gathered evidence from other market participants, including sports fixed odds betting companies and financial spread betting companies, to understand the competitive dynamics under which providers of sports spread betting services operate, including the extent to which other betting companies might themselves start providing these services.

## **What did the evidence tell the CMA...**

### **...about what would have happened had the Merger not taken place?**

16. In order to determine the impact that the Merger could have on competition, the CMA has considered what would have happened had the Merger not taken place. This is known as the counterfactual.
17. The evidence indicates that, alongside Spreadex's bid, FDJ also received bids from two other credible potential purchasers during the process of selling Sporting Index. The CMA considers that either of these alternative bidders would have operated the business in competition with Spreadex and been a less anti-competitive purchaser than Spreadex which, as a result of the Merger, is now the only licensed sports spread betting provider in the UK.

### **...about the effects on competition of the Merger?**

18. The CMA believes that the Merger raises significant competition concerns as a result of horizontal unilateral effects in the supply of licensed online sports spread betting to UK consumers based on the available evidence. In particular:
  - (a) the Merger has created a monopoly supplier of licensed online sports spread betting services in the UK, by removing the only other licensed supplier of these services;
  - (b) customers that approached the CMA raising concerns about the Merger considered that the Merger removed Spreadex's only competitor;
  - (c) fixed odds betting providers generally considered that the Parties are each other's closest competitors and that online sports fixed odds betting is not substitutable for online sports spread betting;
  - (d) internal documents indicate that Spreadex viewed Sporting Index as its only competitor in the supply of licensed online sports spread betting;
  - (e) evidence from third parties generally suggests that sports fixed odds and unlicensed sports spread betting providers exercise at most a weak constraint on the Merged Entity's sports spread betting activities; and
  - (f) while one betting company indicated it might be interested in starting to offer sports spread betting services in the UK, it also identified a number of hurdles that would need to be overcome before it could enter the market.
19. The CMA therefore believes that it is or may be the case that the Merger has resulted, or may be expected to result, in an SLC in the provision of licensed online sports spread betting services in the UK.

## **What happens next?**

20. As a result of these concerns, the CMA believes the Merger gives rise to a realistic prospect of an SLC as a result of horizontal unilateral effects in the supply of licensed online sports spread betting services in the UK.
21. Spreadex has until 11 April 2024 to offer an undertaking which might be accepted by the CMA to address the SLC. If no such undertaking is offered, or the CMA decides that any undertaking offered is insufficient to remedy its concerns to the phase 1 standard, then the CMA will refer the Merger for an in-depth phase 2 investigation pursuant to sections 22(1) and 34ZA(2) of the Act.