



DETERMINATION OF MERGER NOTIFICATION M/15/003 - LONE STAR/JURYS INNS

Section 21 of the Competition Act 2002

Proposed acquisition by Lone Star Funds of sole control of Vesway Limited trading as Jurys Inns

Dated 5 March 2015

Introduction

1. On 27 January 2015, in accordance with section 18(1) of the Competition Act 2002, as amended¹ (“the Act”), the Competition and Consumer Protection Commission (“Commission”) received a notification of a proposed transaction whereby Lone Star Funds (“Lone Star”), through LSF Irish Holdings XVIV Limited, would acquire sole control of Vesway Limited² trading as Jurys Inns (“Jurys Inn Group”) from Jurys Inn Holdings Limited.³
2. The proposed transaction is pursuant to a Share Purchase Agreement (“SPA”), dated 24 January 2015, between LSF Irish Holdings XVIV Limited,⁴ Jurys Inn Holdings Limited and others.⁵

The Undertakings Involved

The Acquirer – Lone Star

3. Lone Star is a private equity firm established in 1995 with offices in North America, Europe and Japan. Lone Star invests globally in real estate, equity, credit and other financial assets. The funds organised by Lone Star are structured as closed-end, private-equity limited partnerships. Investors in Lone Star’s funds include corporate and public pension funds, sovereign wealth funds, university endowments, foundations and high net worth individuals. Lone Star has had a presence in Ireland since 2001 [...].

¹ It should be noted that the Competition and Consumer Protection Act 2014 made a number of important amendments to the merger review regime set out in the Competition Act 2002.

² Jurys Inns is the trading name of Vesway Limited, a wholly owned subsidiary of Jurys Inn Holdings Limited.

³ The entire issued share capital of Jurys Inn Holdings Limited is held by Oman Investment Fund, Mount Kellett Capital Management LP and Ulster Bank Ireland Limited, along with two minority shareholders, Westjay SARL and Avestus Nominees.

⁴ LSF Irish Holdings XVIV Limited is a special purpose vehicle incorporated for the purposes of the proposed transaction [...]. Notification page 4.

⁵ The other parties are guarantors: [...].



4. Lone Star's Lone Star Real Estate Fund III was established in October 2013 and currently invests in commercial real estate debt and equity products in the Americas, Western Europe and Japan.⁶
5. Table 1 lists the Lone Star portfolio companies that generate turnover within the State.⁷

Table 1: Lone Star Portfolio Companies Active in the State for year Ending 31 December 2014.

Lone Star Portfolio Company	Business Activities in the State	Turnover in the State (€ million) ⁸
[...]	[...]	€[...]
Start Mortgage Holdings Limited	Financial Services	€[...]
[...]	[...]	€[...]

Source: Information Provided by the Parties

6. For the financial year ending 31 December 2014, Lone Star's worldwide turnover was approximately €[...] billion of which approximately €[...] was generated within the State.⁹ The vast majority of Lone Star's turnover in the State [...]. In comparison the turnover within the State of the companies listed in Table 1 was approximately €[...] million.

The Target - Jurys Inn Group

7. Jurys Inn Group is headquartered in Dublin. It operates 31 hotels in the United Kingdom, the Czech Republic and the State.¹⁰ Within Ireland, Jurys Inn Group operates five three star¹¹ hotels: three in Dublin and one in each of Cork and Galway.

⁶ For more information on Lone Star see <<http://www.lonestarfunds.com/>>. For more information on Lone Star Real Estate Fund III see <<http://www.lonestarfunds.com/funds-raised/capital-growth/lone-star-real-estate-fund-iii>>.

⁷ Lone Star, in correspondence dated 13 February 2015, indicates that the portfolio companies listed in Table 1 [...].

⁸ These figures are for the year ended 31 December 2014.

⁹ This figure is calculated using the ECB annual exchange rate for 2014 of €1 = \$1.3285.

¹⁰ For more information on Jurys Inn Group see <<https://www.jurysinns.com/?tmad=c&tmcampid=40&tmplaceref=e&tmclickref=jurys%20inn&gclid=Ci6Uy83g68MCFYNI2wodfjcAEg>>.

¹¹ The 3 star rating identified by the parties corresponds to the Failte Ireland Hotel Classification Scheme ("Hotel Scheme") and ultimately the requirement that hotels operating in the State must be registered with Failte Ireland. The Hotel Scheme identifies types of facilities and services required to obtain different star ratings. See



8. For the financial year ending 31 December 2013, Jurys Inn Group's worldwide turnover was approximately €[...] million of which approximately €[...] million was generated within the State.

Rationale for the Proposed Transaction

9. Lone Star states that:

"It is part of the [Lone Star] Fund's business to invest in companies with a view to developing the acquired company. The proposed acquisition is made as part of the [Lone Star] Fund's investment strategy."¹²

Third Party Submissions

10. No submission was received.

Competitive Analysis

11. There is no horizontal overlap between the parties within the State with respect to the operation of hotels since none of the firms in which Lone Star has a controlling interest are involved, within the State, in operating hotels.¹³ In addition, within the State, Jurys Inn Group is not involved in supplying financial services or generating wind energy.
12. It could be considered that a horizontal overlap within the State exists to the extent that both Jurys Inn Group and Abrakebabra (i.e., one of Lone Star's Irish portfolio companies) are involved in the food service sector.¹⁴ The Commission defines markets to the extent necessary depending on the particular circumstances of a given case. In this instance, it is not necessary for the Commission to define precise relevant markets. Even on the narrowest possible definition of a specific food service market, the overlap between the parties is negligible and would not result in a substantial lessening of competition.
13. The proposed transaction does not raise vertical competition concerns.

Conclusion

14. In light of the above, the Commission considers that the proposed transaction will not substantially lessen competition in any market for goods or services in the State.

<http://www.failteireland.ie/FailteIreland/media/WebsiteStructure/Documents/2_Develop_Your_Business/4_Quality_Assurance/Hotel-Classification-Matrix.pdf>.

¹² Notification page 9.

¹³ Lone Star [...].

¹⁴ The food service sector, in this context, refers to the preparation of food outside of residential premises for sale by food service operators. Consumption of food may take place inside the food service operator's premises, or inside of residential premises (or elsewhere) as might occur for "takeaway" food. The Competition Authority's determination in M/12/010 – Pallas/Crossgar includes a description of the food service sector (at paragraphs 19-29). See

<<http://www.tca.ie/EN/Mergers--Acquisitions/Merger-Notifications/Pallas--Crossgar.aspx>>.



Determination

The Competition and Consumer Protection Commission, in accordance with section 21(2)(a) of the Competition Act 2002, has determined that, in its opinion, the result of the proposed acquisition whereby LSF Irish Holdings XVIV Limited would acquire sole control of Vesway Limited (trading as Jurys Inns) from Jurys Inn Holdings Limited will not be to substantially lessen competition in any market for goods or services in the State, and accordingly, that the acquisition may be put into effect.

For the Competition and Consumer Protection Commission

Gerald FitzGerald
Member
Competition and Consumer Protection Commission