

COMPLETED ACQUISITION BY IMMEDIATE MEDIA COMPANY BRISTOL LIMITED OF CERTAIN ASSETS OF FUTURE PUBLISHING LIMITED

Notice under paragraph 2(1) of Schedule 10 to the Enterprise Act 2002 – consultation on the proposed undertakings in lieu of reference pursuant to section 73 of the Act

Introduction

1. On 23 October 2014, the Competition and Markets Authority (CMA) decided under section 22(1) of the Enterprise Act 2002 (the Act) that it believes that it is or may be the case that the completed acquisition by Immediate Media Company Bristol Limited (Immediate Media) of a number of print magazine titles (with associated websites and digital versions) and other assets from Future Publishing Limited (Future) (the Merger) has resulted or may be expected to result in a substantial lessening of competition (SLC) within a market or markets in the United Kingdom (the SLC decision). The text of the CMA's decision is available on the CMA's webpages.¹
2. Under section 73 of the Act, the CMA may, instead of making a reference for a phase 2 investigation, and for the purpose of remedying, mitigating or preventing the SLC concerned or any adverse effect which has or may have resulted from it or may be expected to result from it, accept from such of the parties concerned as it considers appropriate undertakings to take such action as it considers appropriate.
3. On 30 October 2014, Immediate Media offered undertakings in lieu of a reference to the CMA for the purposes of section 73(2) of the Act (the Undertakings in Lieu). As required under section 73A(1) of the Act, Immediate Media made this offer within five working days beginning the day after the CMA notified it of the SLC decision under section 34ZA(1)(b) of the Act. The CMA gave notice on 6 November 2014, pursuant to section 73A(2)(b) of the Act, to Immediate Media that it considered that there were reasonable grounds for believing that the undertaking offered, or a modified version of it, might be accepted by the CMA under section 73(2) of the Act and that it was

¹ See [CMA case page](#).

considering Immediate Media's offer. A copy of this Notice is available on the CMA's webpages.²

The undertaking offered

4. As set out in the SLC decision, the CMA found that:
 - (a) The Merger gives rise to a realistic prospect of an SLC as a result of horizontal unilateral effects in relation to the supply of needlecraft and genealogy print magazines in the UK.
 - (b) The Merger does not give rise to a realistic prospect of a SLC as a result of horizontal unilateral effects in relation to the supply of cycling and triathlon; knitting and crochet; general craft and cardmaking and papercraft print magazines in the UK.
5. To address the CMA's concerns, Immediate Media has offered to divest:
 - (a) **The Genealogy Business:** the business acquired from Future of publishing and producing *Your Family Tree* print magazine (and associated digital version), and operating an associated website (*yourfamilytreemag.co.uk*) (together the Genealogy Business); and
 - (b) **The Needlecraft Business:** the business acquired from Future of publishing and producing *Cross Stitcher* print magazine and *Cross Stitch Collection* print magazine (and associated digital versions), and operating associated websites (*crossstitchermagazine.co.uk* and *crossstitchcollection.com*) (together the Needlecraft Business).

Together the Genealogy Business and the Needlecraft Business are referred to as the Divestment Business. Immediate Media submitted that this divestment will remedy the SLC identified in the SLC decision.
6. The CMA considers that the Divestment Business comprises all assets (including intellectual property assets), licences and employees (including the editorial teams) that are necessary to operate each of the Genealogy Business and the Needlecraft Business.
7. As set out in the Notice of 6 November (paragraphs 8 and 9), the CMA considers it appropriate to seek an upfront buyer in respect of the Divestment Business.

² See [CMA case page](#).

Proposed purchaser for the Divestment Business

8. Immediate Media has proposed Dennis Publishing Limited (Dennis) as the purchaser of the Divestment Business. Immediate Media and Dennis have entered into a business sale and purchase agreement to transfer the Divestment Business, conditional only upon acceptance by the CMA of the Undertakings in Lieu, including approval of Dennis as purchaser of the Divestment Business.

Suitability of the proposed purchaser

9. In approving a purchaser, the CMA's starting position is that it must be confident without undertaking a detailed investigation that the proposed purchaser will restore pre-merger levels of competition.³ The CMA therefore seeks to ensure that:
 - (a) the acquisition by the purchaser remedies, mitigates or prevents the SLC concerned;
 - (b) the proposed buyer is independent of and unconnected to the merged parties;
 - (c) the proposed purchaser has the necessary expertise, financial resources, incentive and intention to maintain and operate the divested business as an effective competitor in the marketplace;
 - (d) the proposed purchaser is reasonably expected to obtain all necessary approvals, licenses and consents from any regulatory or other authority and
 - (e) the acquisition by the proposed purchaser does not itself create an SLC within any market or markets in the UK.⁴
10. Evidence provided to the CMA by Dennis shows that it is a profitable print magazine company with sufficient finances to acquire the Divestment Business. Dennis has experience in the production of print magazines (and associated digital versions) across a broad range of areas. Dennis also has experience of distributing print magazines through the retail and the subscription channels. Although Dennis does not have experience of

³ *Mergers: Exceptions to the duty to refer and undertakings in lieu of reference guidance* (OFT 1122, December 2010), paragraph 5.11. The *Mergers: Exceptions to the duty to refer and undertakings in lieu of reference guidance* has been adopted by the CMA (see Annex D to CMA2 *Mergers: Guidance on the CMA's Jurisdiction and Procedure*, January 2014).

⁴ *Mergers: exceptions to the duty to refer and undertakings in lieu of reference guidance* (OFT 1122, December 2010 paragraphs 5.25–5:30).

publishing magazines in the craft or genealogy sectors, the relevant skilled personnel will transfer to Dennis as part of the Divestment Business.

11. The CMA considers that the evidence provided by Dennis indicates that it has the intention and incentive to compete with Immediate Media and other genealogy and needlecraft print magazine publishers in the UK post-acquisition. The CMA notes that Dennis currently does not publish any magazines in the genealogy or needlecraft sectors. The CMA therefore considers that the acquisition would not create a realistic prospect of an SLC in the UK.
12. Finally, Immediate Media and Dennis informed the CMA that they both hold a 50% shareholding in a consumer magazine subscription management service provider – Dovetail Services UK Holdings Limited (Dovetail Services). Dovetail Services provides consumer magazine subscription management services to 70 clients and for 340 magazines (including for both Immediate Media and Dennis).
13. Both Immediate Media and Dennis have provided the CMA with details of the operation of Dovetail Services. Both Immediate Media and Dennis submitted that Dovetail Services operated at arms-length. Although the strategic aims of Dovetail Services (such as approval of its Annual Business Plan and the appointment of its Managing Director) are decided by the Board who are appointed by Immediate Media and Dennis, responsibility for the day-to-day management of Dovetail Services has been delegated to the Managing Director of Dovetail Services.
14. In particular, Immediate Media and Dennis pointed out that Dovetail Services ensures that each publisher's subscriber lists are kept separate from the subscriber lists of other publishers. Dovetail Services does not allow one publisher access to another publisher's subscriber lists, and that these restrictions apply to both Immediate Media and Dennis as much as they apply to other publishers. Immediate Media and Dennis both produce print magazine titles in other markets (for example, cycling and motoring print magazines). Both Immediate Media and Dennis told the CMA that their joint ownership of Dovetail Services does not create an incentive not to compete with each other as sales would still be lost to competitors.
15. On the evidence available to it, the CMA does not believe that the joint ownership of Dovetail Services creates material information flows between Immediate Media and Dennis or give either party the incentive not to compete with the other. Hence, the CMA does not believe that the ownership of Dovetail Services by Immediate Media and Dennis affects their independence.

16. The CMA also notes that no consents or approvals, other than CMA approval, are required to complete the acquisition and commence trading.
17. Therefore, subject to the outcome of this consultation, the CMA considers Dennis to be a suitable purchaser of the Divestment Business.

Proposed decision and process going forward

18. For the reasons set out above, the CMA considers that the proposed undertakings offered by Immediate Media and the purchase of the Divestment Business by Dennis are, in the circumstances of this case, appropriate to remedy, mitigate or prevent the competition concerns identified in the SLC Decision.
19. The CMA therefore gives notice that it proposes to accept undertakings in lieu in the form of the proposed undertakings. The text of the proposed undertakings are available for download on the [case page](#).
20. Before reaching a decision as to whether to accept the proposed undertakings, including Dennis as purchaser of the Divestment Business, the CMA invites interested parties to make their views known.
21. Representations should be made in writing to the CMA by 17:00 on Monday 29 December 2014 and be addressed to:

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Mergers Group
Competition and Markets Authority
Victoria House
37 Southampton Row
London
WC1B 4AD

E-mail: peter.swan@cma.gsi.gov.uk

Telephone: 020 3738 6794

Deadline for comments: by 17:00 on Monday 29 December 2014

22. The CMA will have regard to any representations made in response to this consultation and may make modifications to the proposed undertakings as a result. If the CMA considers that any representation necessitates any material change to the proposed undertakings, the CMA will give notice of the proposed modifications and publish a further consultation.