



## THE PROPOSED ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF GOLDEN JUBILEE LIMITED BY FALCON NBO.

1. The Competition Authority of Kenya has approved the acquisition of Golden Jubilee Limited's Entire Issued Shares Capital by Falcon NBO unconditionally. The transaction comes at a time when the hospitality industry is recovering from the negative impact of the COVID-19 pandemic.
2. Falcon NBO, the acquiring undertaking, has not generated turnover nor hold assets in Kenya. Golden Jubilee Limited, the target undertaking, is a private limited company incorporated in Kenya. It is the proprietor and operator of the Crowne Plaza Hotel (Crowne). Crowne is a four-star hotel situated in Upper Hill, Nairobi.
3. The proposed transaction involves the acquisition of all of the issued shares in Golden Jubilee Limited by Falcon NBO. The transaction therefore qualified as a merger within the meaning of Section 2 and 41 of the Competition Act No. 12 of 2010.
4. The parties' combined and relevant assets for the preceding year was **over Sh1 billion**. The transaction, therefore, met the threshold for mandatory notification and full merger analysis as provided in the **Competition (General) Rules, 2019**.
5. The acquirer's parent company is a Fund focused on the hospitality sector within Sub-Saharan Africa but with no presence in Kenya. The target undertaking is in hospitality

industry through a 4-star hotel in Nairobi, Kenya. Whereas the parties are in the same line of business, their activities do not directly overlap locally. For purposes of analyzing this transaction, the relevant market as considered as that where the target is active - **the market for hotels and the provision of associated services**. The target entity does business in Nairobi and therefore the relevant geographical market is **Nairobi County**.

6. The hotel industry, a subsector of the tourism and hospitality industry, has been envisioned to deliver 10% of annual economic growth projected by vision 2030, it currently contributes 1% to the Gross Domestic Product. Further boasting a 14.6% growth in the market in 2018. Additionally, before the Covid-19 pandemic, the hotel industry in relation to accommodation and food services formally employed 82,900 people and engaged with over 9 million people with trade services. Therefore, the hospitality industry is vital to the Kenyan economy. However, the sectors was significantly impacted by the Covid-19 pandemic occasioning the sector to contract by 83.3% in the second quarter of 2020.
7. The segmentation of the hotel and associated services is based on a star classification system. The Tourism Regulatory Authority is charged with the responsibility of classifying and grading hotels throughout the Country. The start system ranges from 5-star, 4-star, 3-star, 2-star, and 1-star hotels. Where 1-star represents the provision of basic amenities and 5-stars represent the provision of extravagant and luxurious amenities and services. The target is classified as a 4-star hotel that provides upscale amenities.
8. The hotel and provision of associated service sector is highly fragmented within Nairobi County. Data available to the Authority indicates that there is no sole player



controlling a market share of over 5%. For instance, the target controls approximately 3.04% of overall market share, and 8.24% of the market share in 4-star category of hotels. Its competitors include Hilton Nairobi Limited, by Hilton Garden Inn, City Lodge Hotel and Southern Sun Mayfair. Whereas the target is one of the leading hotels in the 4-star in the County, it receives competitive pressure from other establishments.

9. Additionally, competition within the hotel industry and associated services is not limited solely to room capacity. Consumers switch between different hotels categories depending on various factors, including price variations, quality of services, amenities offered, location of hotels, and discount rates. Furthermore, hotels are increasingly facing competition from the Airbnb market, albeit to a limited extent and especially for guests within the lower end of the star designation.
10. Noting that the acquirer is not active in the relevant market, the target's market share is unlikely to change after the transaction. Therefore, the proposed transaction is unlikely to occasion negative impact on competition in this key sector of the economy.
11. During merger analysis, the Authority also considers the impact that a proposed transaction will have on public interest. The public interest concerns considerations include;
  - i. extent to which a proposed merger would impact employment opportunities;
  - ii. impact on competitiveness of small and medium enterprises (SMEs);
  - iii. impact on particular industries/sectors; and
  - iv. impact on the ability of national industries to compete in international markets.



12. The parties have submitted that the transaction will not negatively affect employment in the target, specifically it noting that it will not lead to loss of existing jobs. The proposed transaction is therefore unlikely to raise any negative public interest issues.
13. Premised on the foregoing, the Authority approve the acquisition of all issued shares of Golden Jubilee by Falcon NBO be unconditionally.