



Decision CPC: 39/2021

Case Number: 08.05.001.021.026

THE CONTROL OF CONCENTRATIONS BETWEEN ENTERPRISES LAW

No. 83(I)/2014

Notification of a concentration concerning the acquisition of the joint control of Aphrodite Hills Resort Ltd, by Invel Real Estate Partners Three Ltd, Prodea Real Investment Company SA and Papabull Investments Ltd, via MHV Mediterranean Hospitality Venture Ltd

Commission for the Protection of Competition:

Mrs. Loukia Christodoulou,	Chairperson
Mr. Andreas Karydis	Member
Mr. Panayiotis Ousta	Member
Mr. Aristos Aristeidou Palouzas	Member

Date of Decision: 23rd of June 2021

SUMMARY OF THE DECISION

On 07/05/2021, the Commission for the Protection of Competition (hereinafter the “Commission”) received on behalf of Invel Real Estate Three Limited (hereinafter “IREP3”), Prodea Real Estate Investment Company S.A (hereinafter “Prodea”) and Papabull Investments Limited (hereinafter “Papabull”) a notification of a proposed concentration. The notification was filed according to Section 10 of the Control of Concentrations between Enterprises Law 83(I)/14 (hereinafter the “Law”).

The notification concerns a concentration, according to which, Prodea, IREP3 and Papabull will acquire joint control over Aphrodite Hills Resort Ltd (hereinafter “AHRL” or the “Target Company”) via MHV Mediterranean Hospitality Venture Limited (hereinafter “MHV”).

The parties of the concentration are the following:

1. IREP3 is a duly registered company under the Channel Islands laws. It acts as a co-investment vehicle for the Invel Group.

Invel Real Estate Management Limited (hereinafter "IREM") is the controlling asset management body within the Invel Group. It controls the basic decision-making procedures regarding investments as well as the management of the Group's assets.

2. Flowpulse Limited (hereinafter "Flowpulse") is a company duly registered in accordance with the laws of the Republic of Cyprus. It is a wholly owned subsidiary of IREP3 and holds a shareholding in MHV.
3. Prodea is a company duly registered in accordance with the laws of Hellenic Republic and is listed on the Athens Stock Exchange.

Prodea is a leading real estate investment company in Greece and together with its subsidiaries participates in investments in real estate markets and in the active management and operation of real estate. Primarily, Prodea's portfolio consists of commercial real estate is located in the major urban areas in Greece, Italy, Cyprus, Bulgaria and Romania rented mainly to top (blue chip) tenants.

Through its subsidiary CYREIT AIF Variable Investment Company Plc. (hereinafter "CYREIT"), it owns the "Althea Hotel" in Protaras, which has been rented to a third party and is managed by the tenant. Through the same subsidiary, it also generates revenue from renting offices in Larnaca, Limassol, Nicosia and Paphos and from renting retail stores in Limassol, Nicosia and Paphos.

It owns and controls a percentage of the management shares and a percentage of the investment shares of CYREIT. CYREIT, through its subsidiaries, owns 21 commercial properties (offices, stores, hotels) in Nicosia, Limassol, Larnaca, Paphos and Famagusta, with the objective to rent them to third parties.

According to the notification, Prodea, through its subsidiary Quadratix Limited (hereinafter “Quadratix”), owns real estate (supermarket and offices) in Limassol, which are leased to third parties.

In addition, through its Cypriot subsidiary Lasmane Properties Ltd (hereinafter “Lasmane”), Prodea owns real estate in Nicosia, which previously operated as the “Holiday Inn Hotel” and has been leased to a third party.

The company has a direct controlling interest in AHRL which owns and controls the 5-star (5*) Aphrodite Hills Hotel in Paphos.

Also, Prodea, together with Papabull, exercise joint control over MHV. It is noted that IREP3 (via Flowpulse) has no control over MHV.

In addition, Prodea together with Papabull through MHV exercise joint control over Parklane. This company owns and manages the Parklane Luxury Collection Resort & Spa in Limassol.

Prodea together with Papabull through MHV also exercise joint control over CTDC, which owns, operates and manages the five-star (5*) Landmark Nicosia Hotel in Nicosia (hereinafter the “Landmark”).

The revenues of the company from the operation and management of five star (5*) hotels in the Republic of Cyprus, come from the Landmark, which belongs to CTDC and from the Aphrodite Hills Hotel, controlled by AHRL. According to the notification of concentration no. 08.05.001.021.003 the company is expected to also have revenue coming from the Parklane Luxury Collection Resort & Spa owned by Parklane.

In addition, due to its control over AHRL, Prodea is active in the rental of residential properties (holiday homes) in the resort Aphrodite Hills Resort in Paphos as well as the rental of shops located on the premises of this hotel. The company also receives revenue from renting stores located at Landmark, while as one of the companies that will exercise joint control over Parklane it is expected to receive revenue from renting stores at the premises of Parklane Luxury Collection Resort & Spa.

Prodea is ultimately controlled by Castlelake Opportunities Partners LLC (hereinafter "Castlelake, L.P.").

4. Castlelake, L.P. is a global private equity firm licensed by the United States Securities and Exchange Commission that manages \$ 20 billion in assets on behalf of institutional investors.

It specializes in the search and discovery of complex asset-based opportunities in industries affected by changing fundamentals and lacking in competitive capital. They apply a differentiated investment approach to raising capital in four separate investment strategies: Aviation, Miscellaneous Assets, Special Financing and asset-rich opportunities..

5. Papabull is a company duly registered in accordance with the laws of the Republic of Cyprus. It is active in the field of real estate investment and hospitality. Its sole shareholder is IQ EQ Trustee Services (Cyprus) Limited (hereinafter "IQ EQ").

Its existing investments are: a) direct non-controlling interest in the Target Company, b) direct participation in MHV, (c) indirect participation (through MHV) in some entities.

The recent acquisition by Papabull of indirect control interest in Parklane and CTDC and the direct non-controlling interest in the Target Company, has not yet generated revenues.

Also, Papabull recently acquired office space in Nicosia. The Commission notes that, according to the participants, Papabull has not yet generated any revenue in the Republic of Cyprus.

IQ EQ is a professional services provider, licensed by the Cyprus Securities and Exchange Commission, which offers administrator services.

6. MHV is a company duly registered in accordance with the laws of the Republic of Cyprus (formerly Vibrana Holdings Limited).

The shareholders of MHV are Prodea, Papabull and IREP3 (via Flowpulse).

It is jointly controlled by Prodea and Papabull, while IREP3 does not currently control the company.

The Commission notes that, based on the notifications dated 18/01/2021, concerning the acquisition of the joint control of Parklane and CTDC by IREP3 (via Flowpulse), Prodea and Papabull, through MHV, all three companies would have the reserved matters at MHV.

According to the participants in the current transaction, the above mentioned reserved matters have been modified in terms of the shareholding governing them and have been finalized in such a way that the consent of the enhanced majority of shareholders is required. As a result, although IREP3 (via Flowpulse) currently has no control over MHV, it is nevertheless expected that upon completion of the proposed transaction it will also exercise control over MHV.

7. AHRL is a duly registered company under the laws of the Republic of Cyprus. It controls the five-star (5*) Aphrodite Hills Resort Hotel (hereinafter “Aphrodite Hills”) in Paphos.

The shareholders of AHRL are Prodea, Papabull, and IREP3. The sole control of it, is currently exercised by the shareholder who owns the majority stake, namely Prodea.

According to the notification, AHRL has the following wholly owned subsidiaries: Aphrodite Hotels Ltd, Aphrodite Hills Property Management Ltd, The Aphrodite Tennis and Spa Ltd and Aphrodite Hills Services Ltd. The company also owns a percentage of the shares of Aphrodite Pantopoleion Ltd.

The concentration is based on a:

- 1) Share Purchase Agreement, dated 07/04/2021, (hereinafter “Agreement 1” or “SPA 1”), between IREP2 Midco Limited (hereinafter “IREP2 Midco”), Invel Real Estate Partners Two Limited (IREP2) and Papabull, on the sale by IREP2 Midco to Papabull of its [.....]% stake in AHRL.

2) Share Purchase Agreement dated 07/04/2021 (hereinafter “Agreement 2” or “SPA 2”) between IREP2 Midco and IREP3 regarding the sale by IREP2 Midco to IREP3 of a share [.....]% held in AHRL.

3) Share Purchase Agreement dated 07/04/2021 (hereinafter “Agreement 3” or “SPA 3”) between Prodea and Papabull, regarding the sale by Prodea to Papabull of a share of [.....]% which the former holds a stake in AHRL.

4) Shareholder Agreement dated 13/04/2021 (hereinafter “Shareholders Agreement” or “SHA”) between Prodea, Flowpulse, Papabull and MHV. According to the participants, and as provided in this Agreement, after the transfer to Papabull of the above shares that Prodea holds in AHRL is completed, then the shareholding of the latter will consist of Prodea, Papabull, and Flowpulse.

The Commission, taking into account the facts of the concentration, has concluded that this transaction constitutes a concentration within the meaning of section 6 (1)(a)(ii) of the Law, since it leads to a permanent change of control of the Target Company.

Furthermore, based on the information contained in the notification, the Commission found that the criteria set by section 3 (2) (a) of the Law were satisfied and therefore the notified concentration was of major importance falling within the scope of the Law.

The relevant product/services and geographic market in this case were defined as the market of a) the management and operation of five (5*) star hotels, (b) the rental of real estate which can be further subdivided: i) the rental of commercial real estate and ii) the rental of residential real estate c) the provision of consulting services for real estate.

The Commission defined the geographic market for these relevant product/service markets as follows:

(i) For the management and operation of five (5*) star hotels: the district of Paphos, in relation to the Aphrodite Hills Hotel; the district of Nicosia, in relation to the Landmark Hotel; and the district of Limassol in relation to the Parklane Hotel.

(ii) For the commercial real estate rental sub-market: all the districts of Cyprus, in relation to the activities concerning Prodea; the district of Nicosia, in relation to the

activities of MHV through CTDC; the district of Limassol for its activities MHV through Parklane; and the district of Paphos, regarding the activities of the Target Company.

(iii) For the sub-market of real estate rental for residential use: the district of Paphos, for the activities of the Target Company and Prodea, and the district of Limassol for the activities of MHV through Parklane.

(iv) For the market of real estate consulting services, the territory of the Republic of Cyprus.

The market of management and operation of five (5) star hotels*

The Commission concludes that in the present transaction there is no horizontal or neighboring relationship in respect to the activities of the parties involve concerning the relevant market of the management and operation of five (5*) star hotels.

Regarding the vertical relationship, Invel, through IREM, provides consulting services to the Target in relation to strategies and investments and through IREM Cyprus also provides consulting services to CTDC. Nevertheless, the vertical relationship does not constitute an affected market under Annex I as the market share of the participants is below the 25% threshold set by the Law.

The market of rental commercial real estate and the market of provision consulting services for real estate

The Commission concludes that there is no additional horizontal relationship regarding the concentration other than the existing one between Prodea and the Target Company.

There is a vertical relationship between the activities of Invel and the Target Company in the provision of consulting services for real estate. However, there is no affected market under Annex I of the Law in the market of the provision of consulting services for real estate, as the combined share of the participants is below the 25% threshold.

The market of rental of residential real estate and the market of provision of consulting services for real estate

There is no horizontal or even neighboring relationship with regard to the activities of the participants in this concentration.

There is a vertical relationship between the activities of Invel and the Target Company in the provision of consulting services for real estate. However, there is no affected market under Annex I of the Law in the market of the provision of consulting services for real estate, as the combined share of the participants is below the 25% threshold.

The Commission, on the basis of the factual and legal circumstances, unanimously decided that this concentration does not create or strengthen a dominant position in the affected market and therefore the concentration does not raise serious doubts as to its compatibility with the operation of the competition in the market.

Therefore, the Commission, acting in accordance with section 22 of the Law, unanimously decided not to oppose the notified concentration and declare it as being compatible with the operation of the competition in the market.

Loukia Christodoulou
Chairperson of the
Commission for the Protection of Competition