Media Statement
For Immediate Release
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EDGARS ACQUISITION APPROVED WITH CONDITIONS

The Commission has taken a decision to recommend to the Competition Tribunal (Tribunal) that the proposed acquisition of Edgars Consolidated Stores Limited (ECSL) by New HoldCo (New HoldCo) be approved subject to conditions.

The Commission found that the proposed transaction was unlikely to result in a substantial prevention or lessening of competition in the relevant markets. The proposed transaction seeks to mitigate the dire financial position the Edcon Group finds itself in and avoids potential liquidation which may result in job losses.

The Edcon Group and the Economic Development Department (EDD) had agreed upon certain conditions aimed at promoting BEE, local procurement and preserving employment and the Commission has recommended that the merger is approved subject to such conditions.

Competition Commissioner, Tembinkosi Bonakele says: “The Commission believes that the proposed transaction will have an overall positive effect on employment, particular on the retail industrial sector because it seeks to preserve the job levels within the Edcon Group. The group intends to employ additional staff in the future. A significant number of Edcon employees could lose their employment were the business to be placed under business rescue proceedings if the acquisition is not approved.”

The conditions are a culmination of the merging parties and the EDD agreeing that the proposed transaction be approved subject to conditions substantively similar to those in Parentco/Edcon merger in 2016.
New HoldCo is a shelf company with no previous operations or activities in South Africa that has been established for the purposes of acquiring the entire issued share capital of the Edcon Group. ECSL controls Edcon Limited (Edcon) and, in turn, Edcon is controlled by Parentco. For the sake of convenience, ECSL, Edcon and all their subsidiaries are referred to as the Edcon Group.

The Edcon Group is active in the retail of apparel through various divisions, which sell men’s, women’s and children’s wear, fragrances, cosmetic products, home wares and cellular products.

The shareholders of New HoldCo comprise of local and international financial investors in the form of private equity investments firms and banks. None of the shareholders conduct any clothing retail activities. None of the shareholders of New HoldCo exercise any form of control over New HoldCo.

BACKGROUND

The proposed transaction follows a failed attempt to restructure the Edcon Group in 2016. The previous restructuring transaction involved a consortium of creditors, “Parentco” which sought to acquire the entire issued share capital of Edcon Group (Parentco/Edcon).

The Commission recommended an unconditional approval of Parentco/Edcon merger, however, the Tribunal approved the merger subject to public interest conditions that had been agreed to between the EDD and the merging parties.

The Parentco conditions required Edcon Group to, amongst other things, use its best endeavours to avoid job losses, increase procurement from local suppliers and maintain BEE participation. Since the implementation of the Parentco/Edcon merger, the Edcon Group has provided the Commission and the EDD with periodic updates regarding Edcon Group’s financial challenges.

[ENDS]

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