

MEDIA RELEASE

29 October 2014

Commission recommends approval of MTN's acquisition of a majority stake in Afrihost without conditions

The Commission, on 29 October 2014, recommended to the Competition Tribunal to approve MTN's acquisition of a 51% stake in Afrihost Proprietary Limited (Afrihost). MTN is an integrated telecommunication service provider active across the various levels of the value chain and provides mobile telephony solutions to its customers in the wholesale and retail markets, whilst Afrihost is an internet service provider operating primarily at the retail level.

The transaction presents horizontal overlaps in the activities of MTN and Afrihost in relation to the provision of hosting, ADSL and mobile data services at a retail level. Afrihost also resells MTN's ADSL and mobile data services thus; the merger also presents a vertical overlap.

The Commission's assessment of the transaction found that MTN and Afrihost do not appear to be direct competitors because Afrihost focuses on the small to medium enterprises (SMME) and residential segment whereas MTN mainly focuses on the large corporates. For hosting services, the investigation shows that there are several large and reputable information communication technology (ICT) companies such as Internet Solutions (Proprietary) Limited, Business Connexion Group Limited (BCX), Gijima Group Limited and Vox Telecom Limited (Vox) amongst others active in the hosting market that are alternatives for customers to switch to. In the market for internet access (ADSL and mobile internet connectivity), Afrihost is a relatively small player and competes with MWEB Connect (Proprietary) Limited, Vox and Telkom Mobile and Vodacom amongst others.

The Commission received objections to the transaction from competitors in relation to the potential exclusionary conduct that may arise from the vertical relationship between MTN as a wholesaler of ADSL and mobile data and Afrihost as its reseller. The Commission is of the view that in both the ADSL and mobile data markets, it is unlikely the merger will give rise to foreclosure effects which are harmful to SMME and residential customers, given the ability of these customers to easily switch mobile data service providers. In relation to the large corporates, since Afrihost does not provide services to these customers MTN is already in a position to engage in such conduct before the merger.

The concerns raised by third parties do not arise as a result of the merger and it is the Commission's view that the merger does not exacerbate this feature. Overall, the Commission is of the view that the proposed transaction is unlikely to result in a substantial prevention and lessening of competition in the hosting, ADSL and mobile data markets.

The Commission is also currently reviewing numerous other transactions in the telecommunications sector including:

- The acquisition of the radio access network infrastructure of Telkom SA SOC Limited's (Telkom) by MTN;

- Vodacom (Proprietary) Limited's acquisition of Neotel (Proprietary) Limited;
- Telkom SA SOC Limited's acquisition of BCX; and
- The joint venture between Dimension Data (Proprietary) Limited and MWEB Connect (Proprietary) Limited's wireless technology division for the provision of wireless internet services

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