

MEDIA RELEASE

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Competition Commission recommends prohibition of Sun International SA and Maxshell 114 Investment merger

The Competition Commission (Commission) has recommended to the Competition Tribunal (Tribunal) that the proposed merger whereby Sun International (South Africa) Limited (SISA) intends to acquire Maxshell 114 Investment (Pty) Ltd (Maxshell), be prohibited. The Commission is concerned that if allowed, the merger is likely to give rise to significant competition concerns in the central Gauteng gambling market.

SISA, is controlled by Sun International Limited, a publicly listed company on the JSE Limited which controls a large number of properties in the hotel, resorts and casino industries in South Africa. Maxshell, is the controlling shareholder of Peermont Global (Pty) Ltd (Peermont), which is a hotel and casino operator. Peermont controls eight casinos in South African, including Emperors Palace. The implementation of the merger will result in, among other things, SISA acquiring the entire shareholding of Peermont.

The Commission found that the merger will result in increased concentration levels in an already highly concentrated industry. As a result of the transaction, the central Gauteng gambling market will be left with virtually two competing companies, namely SISA and Tsogo Sun Holdings (Tsogo Sun). This reduction in the number of competitors is unlikely to be of benefit to the market and may lead Tsogo Sun and SISA coordinating their behavior to the detriment of consumers.

As part of its assessment of the transaction, the Commission also took into account the imminent relocation of Morula Casino (owned by SISA) from Mabopane, in the North West of Gauteng, to Menlyn, East of Pretoria. This casino is expected to be the largest casino in Gauteng and to pose a significant competitive constraint on casinos such as Emperors Palace. Thus, the merger is likely to substantially prevent competition as Morula Casino and Emperors Palace will be owned by the same entity.

“Transactions that increase concentration levels in markets that are already highly concentrated often give rise to competition concerns. In this merger, the Commission is also concerned that the merging parties will no longer act as a constraint on each other post-merger; this is likely to harm consumer welfare,” said Acting Deputy Commissioner, Hardin Ratshisusu.

Ends

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