Weekly Media Statement

For Immediate Release

04 October 2021

The Competition Commission of South Africa (CCSA) held its ordinary weekly meeting on Tuesday 28 September 2021, to review and take decisions on matters brought before the Commission by members of the public and corporate applicants, in terms of the Competition Act (89 of 1998) as amended. These matters include but are not limited to complaints, mergers and acquisitions.

LATEST DECISIONS BY THE COMPETITION COMMISSION

1.1 Dis-Chem Pharmacies Limited (Dis-Chem) / Kaelo Holdings Proprietary Limited (Kaelo Holdings)

The Commission has recommended that the Competition Tribunal (Tribunal) approve the proposed transaction whereby Dis-Chem intends to acquire a certain percentage of the shares in Kaelo Holdings, with conditions.

Dis-Chem was established in 1978. It began its activities as a small pharmacy in Mondeor, South of Johannesburg. Dis-Chem has since grown into a national chain of more than 200 pharmacy stores located in the major metropolitan areas and suburbs in South Africa. Through its various subsidiaries, Dis-Chem is active along the pharmaceutical supply chain ranging from wholesale distribution (including logistics) to the operation of retail pharmacies. Dis-Chem is a wholesale distributor of scheduled and unscheduled pharmaceutical products as well as front shop products. Dis-Chem pharmacy stores are licensed to provide scheduled pharmaceutical products and unscheduled pharmaceutical products, and front shop goods, as well as primary healthcare services through its clinics, which are located in most of its pharmacy stores.

Kaelo Holdings is healthcare services provider that has developed a series of affordable healthcare solutions for the uninsured population (those not covered by a medical scheme). These are provided through Kaelo Health and Kaelo Clinics. Kaelo Holdings also developed a comprehensive mental health solution over 15 years ago under the banner of Kaelo Lifestyle. The intention is to provide mental health services to a wide spectrum of South African households. Kaelo Holdings' key products include the following: gap cover insurance (for medical scheme members); primary healthcare insurance (for uninsured South Africans); occupational health clinics and on-site primary care clinics (for large organisations); and psychological wellbeing services (for all South Africans).

The Commission found that this acquisition is unlikely to result in a substantial prevention or lessening of competition in any relevant market. The Commission further found that the proposed transaction does not raise any public interest concerns. However, the Commission and the merging parties have agreed to a condition which will ensure that Dis-Chem will notify the Commission in the event that it acquires additional shareholding in Kaelo Holdings which confers Dis-Chem with sole control of Kaelo Holdings.

1.2 K2021544474 South Africa (Pty) Ltd (Sandvik SRP) / Kwatani Global (Pty) Ltd (Kwatani Global)

The Commission has recommended that the Tribunal approve the proposed transaction whereby Sandvik SRP intends to acquire Kwatani Global, with conditions.

Globally, the Sandvik Group is active in several areas including tools and tooling systems for industrial metal cutting, advanced stainless steel, and special alloys as well as products for industrial heating. The Sandvik Group also provides products and services for the mining and construction sector to customers throughout Africa. These include screens, feeders, and crushers. In South Africa, the Sandvik Group provides rock processing products, including horizontal screens, grizzly feeders, and pan feeders to mining customers and inclined screens, grizzly feeders and pan feeders to quarry customers.

The Kwatani Group is an original equipment manufacturer of custom-engineered vibrating equipment including screens and feeders to both local and international customers operating in the heavy and precious metals and minerals markets. The Kwatani Group exports products from South Africa to many other African countries. In South Africa, the Kwatani Group supplies multislope screens, horizontal screens, inclined screens, grizzly screens, other screens, pan feeders, electro-magnetic feeders, and other feeders to mining customers. The Kwatani Group also provides horizontal screens to quarry customers.

The Commission found that the proposed transaction is unlikely to result in a substantial prevention or lessening of competition in any relevant market. With respect to the effect of the merger on the greater spread of ownership, the merging parties agreed to a condition to transfer 25%+1 shares in the primary acquiring firm to one or more B-BEEE shareholder/s. The Commission therefore recommends that the proposed transaction be approved with conditions.

1.3 Bopa Moruo Fund II Proprietary Limited (Bopa Moruo) RMB Ventures Four Proprietary Limited; and New GX Ventures SA Proprietary Limited (Acquiring Firms) / ASOC I Bidco Three Proprietary Limited (ASOC I Bidco)

The Commission has recommended that the Tribunal approve the proposed transaction whereby Acquiring Firms will acquire MS 904, without conditions.

Bopa Moruo is a private equity firm with investments in a variety of industries, including, *inter alia*, manufacturing, mobile sanitation, digital retail, flexible packaging, and freight forwarding. RMBV is a private equity investor which partners with companies to provide flexible equity and debt funding packages. RMBV has investments in firms in a variety of industries, including, *inter alia*, apparel, stolen vehicle recovery, telecommunications, manufacturing, and consumer goods.

The New GX Group is an investment company focused on the telecommunications, technology, and energy sectors.

ASOC I Bidco is a holding company for its ultimate controller’s shareholding in SkyNet SA, a provider of express parcel and courier services in South Africa. ASOC 1 Bidco has no other activities and operations in South Africa. ASOC ManCo is a private equity firm that manages several investment vehicles.

Skynet SA is a courier services company that offers the following services: Same Day Express, that deliver parcels on the same day; Overnight Express 1 and 2, which delivers parcels overnight for arrival before 10:30 the next morning and before 13:00, respectively; Next Day, where parcels are delivered overnight for arrival before 17:00 the next day; Economy, where parcels are delivered within 2 to 5 days; International, which delivers parcels and documents internationally; and Warehousing, for storing parcels, pick up, packing and dispatch.

The Commission found that the proposed transaction is unlikely to result in a substantial prevention or lessening of competition in any relevant market. The Commission further found that the proposed transaction does not raise any public interest concerns.

1.4 Volaris Group Inc (Volaris) / Adapt IT Holdings Limited (Adapt IT)

The Commission has conditionally approved the proposed merger whereby Volaris intends to acquire Adapt IT.

The primary acquiring firm, Volaris and the firms controlling it are incorporated in Canada. Volaris and its affiliates provide *inter alia*, vertical market software services to the education, manufacturing and telecommunications sectors.

Adapt IT and the firms it controls provides, *inter alia*, specialised software and digital solutions to the education, manufacturing, communication, hospitality, energy and financial sectors. Adapt IT further provides cloud and on-premises solutions to the hospitality sector as well as cloud and security solutions to mobile network operators (“MNO”) and law enforcement agencies.

The Commission found that the proposed transaction is unlikely to result in a substantial prevention or lessening of competition in any relevant markets.

In terms of public interest, the Commission found that there would be a dilution in ownership by historically disadvantaged persons (HDPs) at Adapt IT. To address this concern, the Commission and the merger parties agreed to conditions *inter alia*, requiring the merging parties to maintain a certain level of HDP ownership post-merger as well as the establishing of a Trust to hold shares in Adapt IT on behalf of workers.

1.5 Clicks Retailers (Proprietary) Limited (Clicks) / The retail pharmacy businesses carried on by Pick n Pay Retailers (Pty) Ltd

The Commission has approved the proposed merger whereby Clicks intends to acquire the 25 retail pharmacies from Pick n Pay (the Target Business), with conditions.

Clicks is ultimately owned and controlled by Clicks Group Limited ("Clicks Group"). Clicks Group controls several firms including United Pharmaceutical Distributors ("UPD"), Unicorn Pharmaceuticals ("Unicorn") and Clicks Direct Medicines ("CDM"). The Clicks Group comprises approximately 620 retail pharmacies in South Africa.

The Target Business conducts a retail pharmacy business that dispenses scheduled and over the counter ("OTC") products. The Target Businesses are operated from various Pick n Pay retail stores.

Although the Commission found that Clicks Group is one of the two largest national retail pharmacies, the Target Business comprises a small portion of the retail pharmacy sector. Therefore, the merged entity will continue to face competition from other national pharmacy retail chains including Dis-Chem, Medirite, Spar, and Arrie Nel. There are also independent retail pharmacies that may place a competitive constraint on national chains at the local level.

During its investigation, the Commission received concerns about the trend of increasing concentration in the retail pharmacy sector. Market participants raised concerns about the growth of corporate chains (particularly in high income regions and more profitable, high footfall locations such as shopping malls) and the continued decline in the number of independent pharmacies.

The Commission found that corporate pharmacies have indeed grown at a substantial rate over the past five years, while the number of independent pharmacies had declined. Within the context of these trends and the high number of acquisitions by Clicks Group over the past five years, the Commission investigated the effect of the merger on pricing, bargaining dynamics, dispensing fees, barriers to entry, and profitability.

The Commission found that Clicks Group has made more than 80 acquisitions over the past five years and that this acquisition strategy has allowed Clicks Group to strengthen its position in urban areas, often in more lucrative high footfall traffic areas such as strip and closed malls. The proposed merger also includes acquisitions of licences within lucrative shopping centres where Pick n Pay is mostly located. However, it appears that at this stage, Clicks Group is still constrained by medical schemes and by the regulated pricing framework for pharmaceuticals. The Commission nevertheless remains concerned about the large number of past acquisitions by Clicks Group that fall below the merger thresholds, and therefore imposed a condition requiring Clicks Group to it of all future acquisitions of retail pharmacies (including those not requiring mandatory notification).

The merger parties further agreed to a condition that ensures that in the Pick n Pay stores where the Clicks Group will operate the Target Business, Clicks Group is not restricted from competing with Pick n Pay in the sale of OTC products

The merger parties further agreed to a condition that no retrenchments will result from the proposed merger.

1.6 RFG Foods Proprietary Limited (RFG) / The frozen food business of Pioneer Foods Wellingtons Proprietary Limited (Pioneer Foods Wellingtons)

The Commission has conditionally approved the proposed merger whereby RFG intends to acquire the Frozen Food Business from Pioneer Foods Wellingtons.

RFG is a diversified food producing company specialising in the production of fresh, frozen, and long-life products. Relevant for the assessment of the proposed transaction are the activities of the fresh food division of RFG which produces, distributes, and markets a wide range of products such as pies, pastries, and sausage rolls. The pies, pastries and sausage rolls are sold through various food retailers under the brands Magpie and Ma Baker, as well as some dealers' own brands.

The Frozen Food Business is controlled by Pioneer Foods Wellingtons which is in turn controlled by Pioneer Foods Proprietary Limited ("Pioneer Foods"). The Frozen Food Business produces, distributes and markets a wide range of frozen products such as pies, pastry and sausage rolls. The pies, pastries and sausage rolls are sold through various food retailers under the brands Today's, Mama's, Big Jack, and Man's Meal.

The Commission found that the proposed transaction is unlikely to result in a substantial prevention or lessening of competition in any relevant market.

From a public interest perspective, the Commission was concerned about potential post-merger retrenchments at the Frozen Food Business. In response, RFG and Pioneer Foods undertook not to retrench any employees as a result of the merger apart from certain affected employees; to offer redeployment opportunities for affected employees of the Frozen Food Business in RFG's and Pioneer Foods' various production facilities; to fund the reskilling of affected employees, who cannot or elect not to be redeployed, up to a maximum amount equal to R15 000 per employee and lastly to assist any affected employees who may be retrenched with offers of preferential employment, for a period of two years from the implementation date.

The Commission was of the view that given the circumstances of the merger, the conditions tendered by the merging parties are sufficient to address the public interest concerns arising as result of the proposed merger.

1.7 Phoenix Parentco, Inc. (Phoenix) / Parexel International Corporation (Parexel)

The Commission has unconditionally approved the proposed merger whereby Phoenix intends to acquire Parexel.

Phoenix and its affiliates are involved in private equity and hold investments in inter alia, financial services, real estate, infrastructure, technology, media, telecommunications and laboratory testing services.

Parexel is a contract research organisation ("CRO") and provides *inter alia*, research, consulting and advising in relation to the development and commercialisation of new pharmaceutical drugs including.

Although the proposed transaction results in a vertical overlap between Phoenix's laboratory services and Parexel's CRO activities, the Commission found that same is unlikely to result in a substantial prevention or lessening of competition in any relevant markets. The Commission further found that the proposed transaction does not raise any public interest concerns.

1.8 Dorpstraat Capital Growth Fund (Pty) Ltd (DCGF)/ ERF 125 Boardwalk Extension 5 Township (Target Property)

The Commission has unconditionally approved the proposed merger whereby DCGF intends to acquire the Target Property from Olympus Village (Pty) Ltd (Olympus Village).

DCGF is a property investment company and currently has 2 (two) retail properties in Kuilsrivier and Bothasig in the Western Cape province. DCGF owns the following retail properties, (i) Haasendal Gables and (ii) Burgundy Square, both of which are retail properties and located in the Western Cape province.

The Target Property is owned and controlled by Olympus Village, a private company incorporated in South Africa. The Target Property is a neighbourhood retail property situated in Pretoria East, Gauteng province.

The Commission found that the proposed transaction is unlikely to result in a substantial prevention or lessening of competition in any relevant markets. The Commission further found that the proposed transaction does not raise any public interest concerns.

1.9 Bridgestone Mining Solutions Australia (Pty) Ltd (BMSA) / Otraco International (Pty) Ltd (Otraco)

The Commission has approved the proposed merger whereby BMSA intends to acquire Otraco with conditions.

Bridgestone is a multinational corporation headquartered in Tokyo, Japan. Globally, Bridgestone develops, manufactures, and markets tyres for a number of applications. This includes amongst others, tyres for passenger vehicles, trucks, buses, earthmoving vehicles, agricultural vehicles, motorcycles and aircrafts. Of relevance to the proposed transaction are Bridgestone's supply of OTR ("off the road") tyres and related products and services to mining customers in South Africa. In this space, Bridgestone's main activities relate to the manufacture and supply of OTR tyres to mining customers. OTR tyres are supplied either to operators of the mines directly, or to third party service providers who then on-sell the tyres to the mines while also providing related tyre management services. Bridgestone also provides on-site OTR tyre management services to mining customers.

Otraco is a global provider of tyre management solutions, including for OTR tyres, to customers across the mining sector in Australia, New Zealand, Chile, South Africa, Botswana, and Namibia. These services are directed at increasing productivity and reducing the total cost of tyres and are generally provided to mining customers on-site.

Otraco's core OTR tyre management services offering is supported by a proprietary computerised tyre management system, called Otracom. Recording real-time data from tyre sensors, Otracom tracks and manages tyres and rims from manufacture to disposal, providing essential performance data reporting at key stages. Otraco also delivers tyre pressure monitoring systems via software applications, which utilise live data feeds to monitor tyre life, issuing alerts when maintenance is required and producing performance data reporting. Otraco currently supplies Otracom (by way of a licence) to any third party at an agreed price when requested.

The Commission received concerns regarding the risk that competitively sensitive information regarding the tyre performance of various OEMs which is collected by Otraco could be accessed by Bridgestone post-merger. In order to address these concerns, the Commission and the merging parties have agreed to conditions which will ensure that competitively sensitive information at the disposal of Otraco remains confidential and is not shared with Bridgestone post-merger. The Commission further found that the proposed transaction does not raise any public interest concerns.

1.10 Sampada Private Equity Fund II (RF) (Pty) Ltd (Sampada Private Equity Fund)/ Salestalk 298 (Pty) Ltd (Salestalk 298)

The Commission has unconditionally approved the proposed merger whereby Sampada Private Equity Fund intends to acquire Salestalk 298.

Sampada Private Equity Fund and all the firms directly and indirectly controlled by it and all the firms that are controlled by its controlling entities will hereinafter be collectively referred to as the “Sampada Group”. The Sampada Group invests in the following sectors: Retail Property, Tourism and Leisure Properties, Agriculture, and short-term finance.

Salestalk 298 and all the firms directly and indirectly controlling it will hereinafter be collectively referred to as “the Target Group”. The Target Group is a black-owned property development and management group with a portfolio of retail, office and residential properties located across South Africa. Relevant to the proposed transaction is the target property that consists of a single property described as Bushbuckridge Mall comprising of rentable retail (community centre) space and C grade office space situated in Bushbuckridge, Mpumalanga.

The Commission found that the proposed transaction is unlikely to result in a substantial prevention or lessening of competition in any relevant markets. The Commission further found that the proposed transaction does not raise any public interest concerns.

1.11 Labora Holdings Limited (Labora) / Segen Group Limited (Segen)

The Commission has unconditionally approved the proposed merger whereby Labora intends to acquire Segen.

Labora is an investment holding company. Labora has a wide range of investments in electrical products supply, real estate development, construction and retail, none of which have activities in or in relation to South Africa.

Segen is a global distributor of solar photovoltaic (PV) systems, energy storage systems, charging equipment, PV inverters, PV solar panels and associated components. Segen has presence in the United Kingdom, Ireland and Europe. In South Africa, Segen SA operates as the South African division of Segen and distributes solar PV systems throughout South Africa and to the SADC region. Segen SA offers solar panels, inverters, solar batteries, mounting, monitoring solutions and other related solar products. Segen SA's customers are installers of solar PV systems to residential and small-scale commercial companies.

The Commission found that the proposed transaction is unlikely to result in a substantial prevention or lessening of competition in any relevant markets. The Commission further found that the proposed transaction does not raise any public interest concerns.

2. Non-Referrals: The Commission has taken a decision to non-refer (not to prosecute) the following cases:

2.1 Verna Rhonda Douman v NMI Durban South Motors Proprietary Limited

The Commission is of the view that the conduct complained of does not contravene the Competition Act.

2.2 Adlaide Kemp v NMI Durban South Motors Proprietary Limited

The Commission is of the view that the conduct complained of does not contravene the Competition Act.

2.3 Dominique Pitot on behalf of Inoxico (Pty) Ltd v Standard Bank of South Africa and TransUnion

The Commission is of the view that the conduct complained of does not contravene the Competition Act.

3. Withdrawal of complaints: The Commission has taken a decision to accept the withdrawal of the following complaint

3.1 Scaw South Africa (Pty) Limited v Arcelor Mittal South Africa Limited

The Commission has taken a decision to accept the withdrawal of this complaint.

Members of the public can now lodge their complaints by SMS/WhatsApp @084 743 0000

[ENDS]

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