



competition commission
south africa

Media Statement

For Immediate Release

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**COMMISSION RECOMMENDS PROHIBITION OF SUN INTERNATIONAL AND PEERMONT
MERGER DUE TO COMPETITION CONCERNS**

The Competition Commission has recommended that the Competition Tribunal (“Tribunal”) prohibits the proposed transaction whereby Sun International Limited (“SISA”) intends to acquire Peermont Holdings (Pty) Ltd (“Peermont”). Both SISA and Peermont are involved in casino gambling.

The Commission found that the proposed merger is likely to substantially prevent and/or lessen competition in the provision of casino (gambling) services in South Africa and in central Gauteng. The merger significantly changes the structure of the national market by reducing the number of national casino operators from three to two. Post-merger, 92% of the casinos operating in South Africa would be owned by only two firms, further increasing concentration in an already highly concentrated market. New entry into this market is unlikely due to the limited availability of casino licenses. In central Gauteng in particular, there are no unallocated casino licenses.

In addition, the merger will result in SISA owning and operating a number of casinos located in prime locations which will give SISA a significant competitive advantage over its competitors.

In central Gauteng, the merger will reduce the number of casino operators from three to two and will remove Emperors Palace (currently owned by Peermont) as an effective competitor to SISA’s Time Square and Carnival City as well as Tsogo Sun’s Montecasino. This may result in SISA being able to retain a greater proportion of bets staked by gamblers as a result of weakened competitive constraints, thus dampening competitive rivalry in central Gauteng.

The Commission is also concerned that the merger is likely to result in the two remaining casino operators (SISA and Tsogo Sun) in central Gauteng behaving co-operatively instead of competing with each other. For instance, the two remaining casino operators in central Gauteng can reduce the level of winnings and reduce promotions in the knowledge that there will be no competitive response.

Having considered the remedies tendered by the merging parties, the Commission is of the view that the remedies do not adequately restore competition that would be lost due to the proposed merger. The Tribunal will make a final decision on the matter.

BACKGROUND

The primary acquiring firm, SISA, is a wholly owned subsidiary of Sun International Limited (“Sun International”), a public company listed on the Johannesburg Stock Exchange (JSE). Sun International is not controlled by any firm or shareholder. Sun International and its subsidiaries will collectively be referred to as the “Acquiring Group”.

The Acquiring Group is active in the provision of: (i) casino gambling; (ii) alternative gaming (i.e., non-casino gambling), including limited payout machines (LPMs) and online betting offered under its SunBet brand in South Africa and various other jurisdictions; and (iii) short-term accommodation. The Acquiring Group owns 11 casino complexes in various locations across South Africa. In Gauteng, the Acquiring Group operates the Time Square and Carnival City casinos.

The primary target firm, Peermont, is jointly controlled by GoldenTree Asset Management Lux S.à.r.l. (“GoldenTree”) and MIC Leisure Proprietary Limited (“MIC Leisure”). Peermont controls several firms in South Africa. Peermont and all the firms directly and indirectly controlled by Peermont shall collectively be referred to as the “Target Group”.

The Target Group is active in (i) casino gambling; (ii) online betting under its PalaceBet brand; and (iii) short-term accommodation. Peermont does not hold direct or indirect interests in any entities operating as LPM route operators. Peermont operates a total of eight casinos. In Gauteng, it operates Emperors Palace casino.

[ENDS]

FREQUENTLY ASKED QUESTIONS

What happens next?

The Commission is the investigative body in large mergers such as this one. The Commission makes its recommendation to the Competition Tribunal, who will make a decision after a public hearing on the merits of the matter.

How long did it take for the Commission to decide this transaction and why?

The Commission took 172 business days to investigate and decide this matter. The proposed transaction raised significant competition concerns, and the Commission had to consider whether these concerns

could be remedied. This resulted in extensive engagements with the merger parties. Interviews with customers and engagements with market participants were similarly extensive.

Issued by:

Siyabulela Makunga, Spokesperson

On behalf of: The Competition Commission of South Africa

Tel: 012 394 3493 / 067 421 9883

Email: SiyabulelaM@compcom.co.za

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