COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: LM123Sep15

In the matter between:

CASHBUILD MANAGEMENT SERVICES (PTY) LTD Primary Acquiring Firm

and

P & L HARDWARE (PTY) LTD Primary Target Firm

Panel	: Norman Manoim (Presiding Member)
	: Medi Mokuena (Tribunal Member)
	: Andiswa Ndoni (Tribunal Member)
Heard on	: 03 February 2016
Order Issued on	: 03 February 2016
Reasons Issued on	: 22 February 2016

Reasons for Decision

Approval

[1] On 03 February 2016, the Competition Tribunal ("Tribunal") approved the proposed transaction between Cashbuild Management Services (Pty) Ltd and P & L Hardware (Pty) Ltd.

[2] The reasons for approving the proposed transaction follow.

Parties to proposed transaction

Primary acquiring firm

[3] The primary acquiring firm is Cashbuild Management Services (Pty) Ltd ("Cashbuild Management Services") a company incorporated in accordance with the company laws of the Republic of South Africa. Cashbuild Management Services is a wholly-owned subsidiary of Cashbuild Limited. Cashbuild Limited is not controlled by any firm.

[4] Cashbuild and all firms directly or indirectly controlled by Cashbuild are referred to herein as the "Cashbuild Group". The Cashbuild Group is primarily involved in the retail supply of building materials, hardware and related products in six countries across Southern Africa.

Primary target firm

[5] The primary target firm is P&L Hardware (Pty) Ltd ("P&L"), a company incorporated in accordance with the company laws of the Republic of South Africa.

[6] P&L is jointly controlled by the Andre Prinsloo Trust ("APT") (25%) and FJP Beleggings (Pty) Ltd ("FJP") (75%). FJP is 100% owned by the FCA Trust ("FCA"). P&L holds 20% of the shareholding in P&L Boerebenodighede Investments (Pty) Ltd ("P&L Investments") pre-merger and will acquire the remaining 80% by virtue of the proposed transaction.

[7] Rio Ridge 1027 CC ("Rio Ridge") is a close corporation. As part of the proposed transaction Rio Ridge is to be converted into a private company and P&L will acquire the entire issued share capital of the company.

[8] P&L is a retailer of building materials, hardware and related products. P&L's stores are predominantly located in Limpopo, but also has branches in Mpumalanga and Gauteng.

Proposed transaction and rationale

[9] Cashbuild Management Services shall acquire the entire issued share capital of P&L, while P&L intends to acquire a 100% shareholding in P&L Investments, as well as the entire issued share capital of the private company resulting from the conversion of Rio Ridge 1027 CC as a simultaneous integral part of the single, indivisible proposed

transaction. As a result of the transaction Cashbuild Management Services will acquire direct control over P&L and indirect control over P&L Investments and Rio Ridge.

[10] Prior to the implementation of the proposed transaction P&L will dispose of its minority interest in a Zimbabwean firm (United Builders Merchants-PANDL (Private) Limited ("UBM-P&L")) and a South African subsidiary company (Zim Conglomerate Proprietary Limited ("Zim Conglomerate")) controlled by P&L pre-merger. P&L's shares in Zim Conglomerate and UBM-P&L will be transferred to a third party controlled by the Prinsloo family. Cashbuild Management Services will accordingly not acquire any direct or indirect shareholding or control in Zim Conglomerate or UBM-P&L by virtue of the proposed transaction.

[11] Cashbuild Management Services' rationale for the transaction is an intention to expand its footprint.

[12] The rationale of those in control of P & L is that they wish to realize its value for investment in other opportunities.

Impact on competition

[13] The Competition Commission ("Commission") submits that the proposed transaction gives rise to a horizontal overlap in respect of the retail supply of building materials, hardware and related products.

[14] Cashbuild is present in most of South Africa's provinces, whereas P&L has 38 outlets located in Gauteng, Mpumalanga, and Limpopo.

[15] The Commission finds that in the national market, the merged entity will have a post-merger market share of approximately 13.8%, with a market share accretion of between 1% and 2% post-merger. There are other independents such as MICA, DIY Depot, Essential Hardware, and Voltex, which are well established in the market and will also pose as a competitive restraint on the merging parties.

[16] In the provinces of Gauteng and Mpumalanga there are no competition concerns, as in Gauteng, the merged entity will have a market share accretion of less than 1% with a post-merger market share of 16%. In Mpumalanga the post-market share will be 25%-30% with an accretion of 5%.

[17] In the narrow market, of Limpopo, the Commission finds that the merged entity would have an average post-merger market share of 21% with a market share accretion of about 10%. However, this does not present a competition concern, as there are other viable alternatives in Limpopo such as EH Hassims, Laduma Hardware, Buco and the presence of big national players, namely, Massbuild, Build-It, Iliad and SBDM, who will constrain the merging parties.

[18] The Commission found that the barriers to entry were low and that new entry into this market was possible.

[19] The Commission found that often customers would first obtain quotes from bigger players such as Cashbuild, P&L and Build-It, once they have these quotes they would take it to independent traders for them to beat, which they would do in most cases. This market dynamic was one of the key reasons why smaller independents could survive.

[20] The Commission therefore concluded that the proposed transaction is unlikely to substantially prevent or lessen competition in any relevant market.

[21] We concur with the Commission's conclusion that the proposed transaction is unlikely to substantially prevent or lessen competition in any relevant market.

Public interest

[22] The merging parties confirmed that the proposed transaction will not result in any adverse impact on employment.

[23] The proposed transaction further raises no other public interest concerns.

Conclusion

[24] In light of the above, we conclude that the proposed transaction is unlikely to substantially prevent or lessen competition in any relevant market. In addition, no public interest issues arise from the proposed transaction. Accordingly, we approve the proposed transaction unconditionally.

Mr Norman Manoim

22 February 2016
DATE

Mrs Medi Mokuena and Ms Andiswa Ndoni concurring

Tribunal Researcher:	Kameel Pancham
For the merging parties:	Webber Wentzel
For the Commission:	Thelani Luthuli