



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: LM052Jul16

In the matter between:

THE BIDVEST GROUP LIMITED

Primary Acquiring Firm

and

BRANDCORP HOLDINGS (PTY) LTD

Primary Target Firm

Panel	: AW Wessels (Presiding Member)
	: Medi Mokuena (Tribunal Member)
	: Andiswa Ndoni (Tribunal Member)
Heard on	: 31 August 2016
Order Issued on	: 31 August 2016
Reasons Issued on	: 08 September 2016

Reasons for Decision

Approval

[1] On 31 August 2016, the Competition Tribunal ("Tribunal") approved the proposed transaction between The Bidvest Group Limited ("Bidvest") and Brandcorp Holdings (Pty) Ltd ("Brandcorp").

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

Parties to proposed transaction

Primary acquiring firm

[3] The primary acquiring firm is Bidvest, a firm incorporated in accordance with the company laws of the Republic of South Africa. Bidvest is listed on the Johannesburg Stock Exchange Limited and is not controlled by any single firm.

- [4] Bidvest is an international services, trading and distribution firm and is involved in a diverse portfolio of business activities in South Africa including facilities management, security, travel, automotive, freight and financial services.
- [5] In South Africa, Bidvest controls the following firms that are relevant to the competition assessment of the proposed transaction:
- Voltex (Pty) Ltd;
 - Bidvest Afcom (Pty) Ltd;
 - Bidvest Buffalo Tapes (Pty) Ltd;
 - G Fox & Co (Pty) Ltd;
 - Berzacks Brothers (Pty) Ltd;
 - Home of Living Brands (Pty) Ltd;
 - Sanlic House of Locks;
 - Plumblink (Pty) Ltd; and
 - Tuning Fork (Pty) Ltd.
- [6] The abovementioned firms operate as distributors of various products such as electric power tools, general tools and hardware, locks, water pumps and generators.

Primary target firm

- [7] The primary target firm is Brandcorp, a firm incorporated in accordance with the company laws of the Republic of South Africa. Brandcorp is controlled by Ethos Private Equity Fund V ("Ethos V").
- [8] Brandcorp has six business divisions (i.e. Matus, Renttech SA, Burncrete, Interbrand, Moto Quip & Leisure Quip and MIC), that supply and distribute branded and nice consumer and industrial products and consumer goods including generators, water pumps, general tools and hardware, table and kitchenware and other products.

Proposed transaction and rationale

- [9] In terms of the *Sale of Shares and Claims Agreement*, Bidvest will acquire 100% of the issued shares in and claims on loan accounts against Brandcorp from its shareholder Ethos V.¹

¹ This merger was previously notified to the competition authorities in 2012, but the merging parties never concluded the transaction.

- [10] Bidvest submitted that the proposed transaction provides significant opportunities for the merging parties to significantly grow revenue and earnings by *inter alia* leveraging off each other's expertise, resources and extensive network.
- [11] From the seller's perspective, the proposed transaction is an opportunity for Ethos V to sell its interest in Brandcorp and realise its investment on behalf of Ethos V's investors.

Impact on competition

- [12] Bidvest and Brandcorp are both distributors of various products which are used for different purposes in numerous industries such as agricultural, construction, engineering, industrial and mining.
- [13] The Competition Commission ("Commission") identified horizontal overlaps between the activities of the merging parties in the wholesale and distribution of the following products: (i) electric power tools; (ii) general tools and hardware; (iii) locks; (iv) water pumps; (v) generators; (vi) fasteners and fittings; (vii) tapes; (viii) table and kitchenware; (ix) personal protective clothing; and (x) general lighting.
- [14] We note that Bidvest and Brandcorp are not involved in the manufacturing of these products. They source these products from South African manufacturers; those products that are not manufactured in South Africa are imported from countries such as China, Italy, Germany and Europe.
- [15] The merging parties furnished the Commission with best estimates of their market shares in each of the abovementioned wholesale/distribution markets and the Commission conducted its own market investigation.
- [16] The market share data submitted by the merging parties indicate that their post-merger combined national market shares would be below 20% in all of the abovementioned wholesale/distribution markets, except in the wholesale/distribution of general tools and hardware where their combined national market share would be below 25%.
- [17] Customers contacted by the Commission confirmed that there are alternative wholesalers/distributors for all the products in question.

[18] Based on the above market shares and the views of third parties, including customers, the Commission concluded that the proposed transaction is unlikely to substantially prevent or lessen competition in any of the relevant wholesale/distribution markets.

[19] 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

[20] The merging parties submitted that except for two senior executives of Brandcorp whose employment contracts will be terminated, there will be no further merger-specific retrenchments.²

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

Conclusion

[22] 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 significant public interest issues arise from the proposed transaction. Accordingly, we approve the proposed transaction unconditionally.



Mr Andreas Wessels

08 September 2016
DATE

Ms Medi Mokuena and Ms Andiswa Ndoni concurring

Tribunal Case Manager	:	Kameel Pancham
For Bidvest	:	Natalia Lopes of ENSAfrica
For Brandcorp	:	Shawn Van der Meulen and Sarah Manley of Webber Wentzel
For the Commission	:	Zanele Hadebe

² Merger Record, *inter alia* page 38.