



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: LM210Oct17

In the matter between:

Absa Bank Ltd

Acquiring Firm

and

Pacific Heights Investments 196 (Pty) Ltd

Target Firm

| | |
|-------------------|------------------------------------|
| Panel | : Norman Manoim (Presiding Member) |
| | : Mondo Mazwai (Tribunal Member) |
| | : Medi Mokuena (Tribunal Member) |
| Heard on | : 16 November 2017 |
| Order Issued on | : 16 November 2017 |
| Reasons Issued on | : 06 December 2017 |

Reasons for Decision

Approval

[1] On 16 November 2017, the Competition Tribunal ("Tribunal") approved the proposed transaction between Absa Bank Limited ("Absa") and Pacific Heights Investments 196 (Pty) Ltd ("Pacific Heights").

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

Parties to the Proposed Transaction

Primary Acquiring Firm

- [3] The primary acquiring firm is Absa, a company incorporated in accordance with the laws of South Africa and which is a wholly owned subsidiary of Barclays Africa Group Limited.

Primary Target Firm

- [4] Pacific Heights is a private company incorporated in accordance with the company laws of South Africa and is not controlled by any single firm. Pre-merger, shareholding in Pacific Heights is held by Absa (50%), Syfin Property Developers (Pty) Ltd ("Syfin") (37.5%) and Hanna Property Trust ("the Hanna Trust") (12.5%).

Proposed Transaction

- [5] The proposed transaction consists of two stages. The Commission found that the two stages are interdependent and indivisible given that, absent the second stage, the first stage of the proposed transaction would not happen.
- [6] During stage one of the proposed transaction, Absa will subscribe for an additional 500 shares in Pacific Heights, thereby increasing its shareholding from 500 shares to 1000 shares, post-merger. In stage two, Pacific Heights will repurchase the 500 shares currently held by Syfin and the Hanna Trust. This will immediately follow Absa's subscription for the additional 500 shares.
- [7] Upon implementation of the proposed transaction Absa will own 100% of the issued share capital in Pacific Heights and will exercise sole control over Pacific Heights.

Relevant Market and Impact on Competition

- [8] Absa is a financial services provider which provides a range of retail, business, corporate and investment banking services. Relevant to the proposed transaction are the residential properties owned by Absa which are located in Sandton and surrounding nodes.

- [9] Pacific Heights is active in the market for the acquisition, investment and letting of property assets. It owns a property portfolio which currently comprises the residential property letting enterprises known as Caroway Lane, which contains 6 rentable residential apartments, and Sandown Woods, which contains 15 rentable residential apartments. These properties are located in Sandton and surrounds.
- [10] As such the Commission found a horizontal overlap in the provision of rentable residential property within a 10 km radius of Sandton and surrounding nodes.
- [11] The Commission found that, post-merger the merged entity will hold a market share of less than 5% with a market share accretion of less than 2%.¹ This market share, the Commission found, is minimal to confer market power on the merged entity. Furthermore, the merged entity will continue to face competition from other players, including, PAM Golding, Firzt Realty and RenProp.
- [12] Competitors of the merging parties were contacted by the Commission and expressed no concerns with the proposed transaction.
- [13] The Commission is therefore of the view that the proposed transaction is unlikely to substantially prevent or lessen competition in any of the relevant markets. We concur with this finding.

Public Interest

- [14] The Commission found that the proposed transaction is unlikely to negatively affect employment as there will be no retrenchments or job losses.
- [15] The Commission was of the view that the proposed transaction is unlikely to raise concerns on any other public interest grounds.

¹ These market shares are based on the merging parties' estimated market shares which were sourced from Property24.

Conclusion

[16] In light of the above, we conclude that the proposed transaction is unlikely to substantially prevent or lessen competition in any relevant market or raise any adverse public interest issues. Accordingly, we approve the proposed transaction unconditionally.



Mr Norman Manoim

06 December 2017

DATE

Ms Mondo Mazwai and Mrs Medi Mokuena concurring

Tribunal Researcher:

Hayley Lyle

For the merging parties:

Lerisha Naidu of Baker & McKenzie

For the Commission:

Tumiso Loate