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COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: LM249Feb19

In the matter between

Dynasty Acquisition Co. Inc.	Primary Acquiring Firm
And	
StandardAero Holding Corp.	Primary Target Firm

Panel	: Norman Manoim (Presiding Member)
	: Mondo Mazwai (Tribunal Member)
	: Imraan Valodia (Tribunal Member)
Heard on	: 6 March 2019
Order Issued on	: 6 March 2019
Reasons Issued on	: 2 April 2019

REASONS FOR DECISION

Approval

[1] On 6 March 2019, the Competition Tribunal ("Tribunal") unconditionally approved the proposed transaction in terms of which Dynasty Acquisition Co. Inc. ("Dynasty") is acquiring control over StandardAero Holding Corp. ("StandardAero").

[2] The reasons for the approval of the proposed transaction follow.

Parties to the transaction

[3] The primary acquiring firm is Dynasty, a company incorporated in accordance with the laws of the United States (US). Dynasty is a special purpose vehicle that does not conduct any business activities. Dynasty is controlled by Carlyle Partners VII Cayman Holdings L.P ("CP VII"), a fund managed by affiliates of the Carlyle Group ("Carlyle"). Carlyle is involved in the provision of asset management services and manages funds that invest globally and controls numerous companies.

[4] Relevant to the proposed transaction is Carlyle's control over Sequa Corporation ("Sequa") which is involved in the aerospace industry in South Africa (SA) through its Chromalloy division. Chromalloy is a provider of standalone aviation engine repairs.

[5] The primary target firm is StandardAero, a company incorporated in accordance with the laws of the US. StandardAero is ultimately controlled by Veritas Capital Fund V LP through its controlled subsidiary VCSA holdings LLC ("VCSA").

[6] StandardAero's business in SA is the provision of full engine Maintenance, Repair and Overhaul (MRO) services. StandardAero offers these services to Original Equipment Manufacturers (OEMs), business aviation, commercial aviation and industrial power operators, among others.[1]

Proposed transaction

[7] Dynasty intends to acquire the entire issued shares in StandardAero. Post-merger, Dynasty will exercise sole control over StandardAero.

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[1] StandardAero's business has four business divisions: **(i)** Business Aviation; **(ii)** Airline and Fleets; **(iii)** Military and Energy and **(iv)** Components, Helicopter and Accessories.

Impact on competition

[8] The Competition Commission ("Commission") considered the activities of the merging parties and found that there is no horizontal overlap in the activities of the merging parties in that their services are differentiated. This is because StandardAero provides full engine MRO services that requires it to take the engine, disassemble it, inspect the engine parts, then repair the engine and do a testing at its testing facility. Chromalloy does not have a testing facility, nor does it have the ability to disassemble, inspect, repair and test the engine.[2]

[9] Further, Chromalloy has special coding capabilities that it has a license for, for heat resistance purposes with the engine, whereas StandardAero does not provide such a service. In view of the above, the Commission concluded that Chromalloy does not provide engine MRO services in competition with StandardAero.

[10] The Commission further found a vertical relationship between the merging parties in that StandardAero does on an *ad-hoc* basis, subcontract certain engine parts repairs to Chromalloy. The Commission however found that the services provided between the merging parties are minimal because StandardAero mostly relies on its in-house repair capabilities. Further, the Commission found that the proposed transaction is unlikely to result in significant input foreclosures because of Chromalloy's minimal market share in the global upstream market for the supply of engine parts services. Further, the Commission found that there are numerous players active in the upstream market, *inter alia*, SA Airlines Technologies and MTU Air Logistics which other customers can use to source engine parts repairs in the unlikely event that the merging parties engage in input foreclosure strategies.

[11] The Commission further found that the proposed transaction will unlikely result in customer foreclosures because StandardAero is a small player with a market share of less than 5% in the downstream market for the provision of full engine

[2] See Transcript, Page 4.

MRO services. The Commission is of the view that even in the unlikely event that StandardAero decides to only purchase engine part repair services from Chromalloy, it is unlikely that the strategy would result in significant customer foreclosure.

[12] In view of the above, the Commission concluded that the proposed transaction will unlikely result in a substantial prevention or lessening of competition in any relevant market. We find no reason to disagree with the Commission's findings.

Public interest

[13] The proposed transaction does not raise any public interest concerns.

Conclusion

[14] In view of the above, we concluded 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 approved the proposed transaction unconditionally.[3]

Mr Norman Manoim	**2 April 2019** **Date**

Ms Mondo Mazwai and Prof. Imraan Valodia concurring.

Tribunal Case Manager : Kgothatso Kgobe

For the Merging Parties : R van Rensburg of ENS

For the Commission : R Ncheche

[3] The proposed transaction was approved in the US, Kenya, Canada, EU and COMESA.