



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: LM215Nov18

In the matter between

CTP Limited

Primary Acquiring Firm

And

Cognition Holdings Limited

Primary Target Firm

Panel	: Ms Y Carrim (Presiding Member)
	: Ms M Mazwai (Tribunal Member)
	: Prof. I Valodia (Tribunal Member)
Heard on	: 30 January 2019
Order Issued on	: 30 January 2019
Reasons Issued on	: 18 February 2019

REASONS FOR DECISION

Approval

- [1] On 30 January 2019, the Tribunal unconditionally approved the proposed transaction in terms of which CTP Limited (CTP) would acquire control over Cognition Holdings Limited (Cognition).
- [2] The reasons for the approval of the proposed transaction follow.

Parties to the transaction

- [3] The acquiring firm, CTP is a wholly-owned subsidiary of Caxton Publishers and Printers Ltd (CAX). CAX is a wholly-owned subsidiary of Caxton and CTP Publishers and Printers Ltd (CAT). CAT is listed on the Johannesburg Stock Exchange (JSE). CTP is the ultimate holding company of a group of controlled subsidiary companies through which the business of the Caxton Group is conducted. Pre-merger, CTP controls Private Property (Pty) Ltd through its 50.1% shareholding.
- [4] CTP is a printing and publishing company which has operations throughout South Africa.
- [5] The target firm is Cognition which is listed on the JSE. Cognition is not controlled by any single shareholder. However, the three shareholders that hold more than 5% in Cognition are: CAT (34.56%); Lazio Holdings (11.6%) and NavSur Ltd (7.6%).
- [6] Cognition is an investment holding company whose subsidiaries operate in the information, communication and technology (ICT) sector by providing interactive telecommunication, switching and business services using fixed and mobile network. Its main areas of operation include (i) active data exchange services (incl SMS); (ii) document management services; (iii) market research services; and (iv) channel incentive programmes.¹ Cognition controls various entities, but of relevance to the proposed transaction is its control in FoneWorx (Pty) Ltd (FoneWorx). FoneWorx provides active data exchange services which entails offering companies and their brands a way to engage with customers at an individual level.

¹ Cognition basically helps its clients (mainly companies) to reach consumers via mechanisms such as SMS and interactive voice response systems.

Proposed transaction

- [7] The proposed transaction entails two legs. In the first leg, Cognition will acquire the 50.1% held by CTP in Private Property. In the second leg CTP will acquire a majority shareholding in Cognition in consideration for Cognition acquiring the 50.1% currently held by CTP in Private Property. Post-merger, both Cognition and Private Property will ultimately form part of the Caxton group.

Relevant market and impact on competition

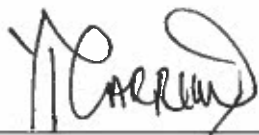
- [8] The Commission found a vertical relationship between the merging parties. This is because during the 2017/2018 financial year Cognition (through FoneWorx) provided active data exchange services related to SMS campaigns relating to Caxton magazine publications. However, the Commission found that the services provided by FoneWorx to the Caxton group are minimal. Further, the Commission found that Cognition is an insignificant supplier in the active data exchange services market with a market share of below 3%, and if it were to restrict its services, customers will find alternative suppliers.
- [9] The Commission further found that the upstream competitors of Cognition, in the provision of data exchange services will not be foreclosed as Caxton is one of many customers from different industries who make use of active data exchange services. The Commission therefore concluded that foreclosures arising from the proposed transactions are unlikely.
- [10] In view of the above, the Commission is of the view that the proposed transaction is unlikely to substantially prevent or lessen competition in any relevant market.

Public interest

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

Conclusion

[12] In light 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.



Ms Yasmin Carrim

18 February 2019

Date

Ms Mondo Mazwai and Prof. Valodia concurring.

Tribunal Case Manager : Kgothatso Kgobe

For the Merging Parties : A Roets of Nortons inc

For the Commission : B Ntshingila and T Masithulela