



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: 82/LM/SEP11

In the matter between:

LODESTONE BRANDS (PTY) LTD

Acquiring Firm

And

MISTER SWEET (PTY) LTD

Target Firm

Panel : Andreas Wessels (Presiding Member)
Andiswa Ndoni (Tribunal Member)
Medi Mokuena (Tribunal Member)
Heard on : 16 November 2011
Order issued on : 16 November 2011
Reasons issued on : 22 December 2011

Reasons for Decision

Approval

1] On 16 November 2011 the Competition Tribunal (“Tribunal”) approved the large merger between Lodestone Brands (Pty) Ltd and Mister Sweet (Pty) Ltd. We set out below our reasons for this decision.

Parties to the transaction

- 2] The primary acquiring firm is Lodestone Brands (Pty) Ltd (“Lodestone”), a firm incorporated in accordance with the laws of the Republic of South Africa. Lodestone is controlled as to 60% of its issued share capital by Standard Chartered Private Equity (Mauritius) III Ltd, a wholly owned subsidiary of Standard Chartered Bank PLC. Lodestone controls two firms, namely Candy Tops (Pty) Ltd (“Candy Tops”) and Cyndara 224 (Pty) Ltd.
- 3] The primary target firm is Mister Sweet (Pty) Ltd (“Mister Sweet”). Mister Sweet controls R-e Four Nought Two (Pty) Ltd.

Proposed transaction

- 4] In terms of the Sale of Shares Agreement, Lodestone is acquiring all of the Sale Assets (as defined in the Agreement) of Mister Sweet. In essence the proposed transaction contemplates the acquisition by Lodestone of 60% of the ordinary shares in the issued share capital of Mister Sweet, thereby giving Lodestone sole control over Mister Sweet.

Rationale for the transaction

- 5] The merging parties submitted that, through the proposed transaction, Lodestone wishes to establish and grow a diverse portfolio of businesses within the Fast Moving Consumer Goods sector in South Africa, Sub-Saharan Africa and South East Asia. As Mister Sweet’s product portfolio is complimentary to the Candy Tops portfolio in terms of its focus on higher-end, sugar-based confectionary, the increased sales in sugar-based confectionary will provide significant opportunities for synergies such as a shared sales team and merchandising service between Candy Tops and Mister Sweet. This and other factors, the merging parties submitted, will allow Lodestone to be more competitive in the sugar-based confectionary market.
- 6] From a Mister Sweet perspective, Lodestone will assist Mister Sweet with the next strategic phase of the business.

Merging parties' activities

- 7] Lodestone's current commercial and business activities are limited to the activities of its subsidiary Candy Tops. Candy Tops manufactures, markets and distributes a wide range of confectionary products such as bubblegum, boiled sweets, éclairs, toffees, chews, caramels, panned confectionary and lollipops. It sells and markets its confectionary under its "*Candy Tops*" and "*Sovereign*" brands.
- 8] Mister Sweet manufactures, markets and distributes a wide range of confectionary products including wine gums, soft eating gums, sour gums, liquorice allsorts, and marshmallows. It sells and markets these products under its "*Mister Sweet*" brand, as well as under a certain "house brand".

Relevant market(s) and impact on competition

- 9] The confectionary products of the merging parties overlap with respect to the supply of sugar-based confectionary products.¹ In relation to sugar-based confectionary products the overlap is further confined to (i) panned confectionary; and (ii) toffees, chews and caramels.
- 10] There is no need for us in this case to take a definitive view on the exact parameters of the relevant product market(s). We have assessed the competition effects of the proposed transaction in the broader product market for the production and sale of sugar-based confectionary, as well as in the narrower product markets for (i) panned confectionary; and (ii) toffees, chews and caramels.
- 11] The post-merger national market shares of the merged entity will be less than 20% in all of the above-mentioned potential product markets. Competitors in the sugar-based confectionary market include players such as Tiger Brands (Beacon) and Cadbury Craft.

Public interest

- 12] The merging parties submitted that the proposed transaction will not result in any employment losses in South Africa.²

¹ There is no overlap in regard to bars, chewing and bubblegum and chocolate confectionary.

² Record pages 12 and 70.

