



**COMPETITION TRIBUNAL OF SOUTH AFRICA**

**Case No: LM146Oct20**

In the matter between

SPE Mid-Market Fund I Partnership (represented by  
the general partner, SPE Mid-Market Fund I General  
Partner (Pty) Ltd)

Primary Acquiring Firm

And

Cavalier Group of Companies (Pty) Ltd

Primary Target Firm

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Panel : Y Carrim (Presiding Member)  
: T Vilakazi (Tribunal Member)  
: F Tregenna (Tribunal Member)  
Heard on : 25 November 2020  
Order Issued on : 25 November 2020  
Reasons Issued on : 10 December 2020

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**REASONS FOR DECISION**

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**Approval**

[1] On 25 November 2020, the Competition Tribunal (“Tribunal”) unconditionally approved the proposed transaction in terms of which SPE Mid-Market Fund I Partnership (“SPE Fund”), represented by the general partner, SPE Mid-Market Fund I General Partner (Pty) Ltd is acquiring control over the Cavalier Group of Companies (Pty) Ltd (“Cavalier Group”).

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

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### Parties to the transaction

- [3] The acquiring firm is SPE Fund, a newly created fund that does not have any business activities or operations. SPE Fund is ultimately controlled by Sanlam Life Insurance Ltd acting through its Sanlam Private Equity division. Sanlam Life Insurance is in turn wholly owned and controlled by Sanlam Ltd (“Sanlam”). Sanlam is a public company that is listed on the JSE, with a secondary listing on the Namibian Stock Exchange (NSX). Sanlam is not controlled by any one shareholder/firm.
- [4] Shareholders with an equity interest of more than 5% in Sanlam are Ubuntu-Botho (Pty) Ltd and the Public Investment Corporation (PIC), on behalf of the GEPPF. Sanlam and its subsidiaries are collectively referred to as the “Sanlam Group”.
- [5] Sanlam Group controls various firms across multiple jurisdictions. Sanlam Group has developed over time into a diversified financial services provider that operates through five business clusters viz. (i) Sanlam Personal Finance Cluster; (ii) Sanlam Emerging Markets Cluster; (iii) Short-term Insurance Cluster; (iv) The Sanlam Corporate Cluster; and (v) the Sanlam Investment Cluster. The Sanlam Group provides financial solutions to individual and institutional clients across a multitude of market segments.
- [6] The target firm is the Cavalier Group, a private company controlled by a half dozen shareholders viz. [REDACTED]. [REDACTED]. The Cavalier Group wholly owns and controls the following subsidiaries: Cavalier Livestock (Pty) Ltd, Cavalier Feeders (Pty) Ltd, Cavalier Abattoir (Pty) Ltd, and Cavalier Foods (Pty) Ltd.
- [7] The Cavalier Group is a vertically integrated meat producer in SA, trading in the procurement, packaging, sale and distribution of red meat and related products. It has a lamb feedlot that can house up to [REDACTED].

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██████████ processing, de-boning and packaging plant. It also has a beef abattoir alongside the lamb feedlot and abattoir.

### Proposed transaction and rationale

[8] SPE Fund, represented by the SPE Fund General Partner, intends to acquire a majority of the entire issued share capital of the Cavalier Group. Post-merger, the Cavalier Group will be jointly controlled by SPE Fund and the management shareholders of the Cavalier Group.

### Impact on competition

[9] The Competition Commission (“Commission”) considered the activities of the merger parties and found that the proposed transaction does not result in any product overlaps. This is because the Sanlam Group provides financial services to individual and institutional clients across multiple segments, whereas Cavalier Group procures and wholesales livestock and as such, competes with other national meat producers and wholesalers.

[10] The Commission further found that while the Sanlam private equity division holds shares in various firms, none of these firms compete with the Cavalier Group. Moreover, the Commission found that the proposed transaction does not present a vertical overlap because the merger parties do not supply each other with any products or services. The Commission however found that the Cavalier Group procures short-term insurance products from Santam Ltd (within the Sanlam Group), but this did not raise any competition concerns.

[11] Given the above, the Commission concluded that the proposed transaction is unlikely to substantially prevent or lessen competition in any market.

[12] Upon consideration of the proposed transaction, we found that the PIC (a shareholder of Sanlam) has interests in the feedlots and meat industry through Karan Beef and Berlin Beef, competitors of the Cavalier Group. Given the PIC’s interest in the Sanlam Group, we requested further information from the merger parties and the Commission in order to ascertain whether the proposed

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transaction could give rise to any information exchange or co-ordination concerns between the feedlot and red meat producers through common shareholding of the PIC.

- [13] The parties submitted that the PIC is merely an institutional investor, with a non-controlling interest in Sanlam and does not have access to any commercially sensitive information pertaining to Sanlam.<sup>1</sup> It will have no involvement in the operations of the Cavalier Group post-merger. In light of this, we agree with the Commission that the proposed transaction will not present any competition concerns.

### Public interest

- [14] The Department of Trade, Industry and Competition (DTIC) raised concerns that the proposed transaction might be inconsistent with the promotion of a greater spread of ownership public interest element contemplated in section 12A(3)(e). To guard against this, the DTIC proposed that the merger parties commit to set up a worker share ownership scheme/trust to benefit the existing workers of the target firm who are not directors of the company, at the time of the merger approval, or commit to do so within a reasonable timeframe not exceeding two years thereafter.

- [15] The Commission assessed whether the proposed transaction will be inconsistent with the promotion of a greater spread of ownership. Pre-merger, the Cavalier Group does not have any shareholders who are members of the Historically Disadvantaged Persons (HDPs), nor a worker ownership scheme. The Commission found that the proposed transaction will promote transformation because the Cavalier Group will be jointly controlled by a black-owned fund manager. Thus, for purposes of section 12A(3)(e) of the Competition Act, the proposed transaction will substantially increase the levels of ownership by HDPs from less than 10% to over 60%. The Commission also notes that the Cavalier Group operates in a sector of the South African

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<sup>1</sup> Email from ENS dated 23 November 2020; Email from the Commission dated 25 November 2020.

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economy that is characterised by low levels of transformation. The Commission concluded that the proposed transaction will promote transformation of the Cavalier Group.

### **Conclusion**

[16] 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.

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**Ms Yasmin Carrim**

**10 December 2020**

**Date**

**Dr. Thando Vilakazi and Prof. Fiona Tregenna concurring.**

Tribunal Case Manager : Kgothatso Kgobe

For the Merging Parties : R van Rensburg and T Theron of ENS

For the Commission : R Mabunda and T Masithulela