



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: LM157Nov16

In the matter between:

FIREFLY INVESTMENT 326 (PTY) LTD

Primary Acquiring Firm

and

BAYPORT FINANCIAL SERVICES 2010 (PTY) LTD

Primary Target Firm

Panel	: Norman Manoim (Presiding Member)
	: Andreas Wessels (Tribunal Member)
	: Medi Mokuena (Tribunal Member)
Heard on	: 21 December 2017
Order Issued on	: 21 December 2017
Reasons Issued on	: 26 January 2017

Reasons for Decision

Approval

- [1] On 21 December 2017, the Competition Tribunal ("Tribunal") approved the proposed transaction between Firefly Investment 326 (Pty) Ltd ("Firefly Investments") and Bayport Financial Services 2010 (Pty) Ltd.
- [2] The reasons for approving the proposed transaction follow.

Parties to proposed transaction

Primary acquiring firm

- [3] The primary acquiring firm is Firefly Investment (Pty) Ltd ("Firefly Investment"), a newly formed company incorporated in accordance with the laws of the Republic of South Africa.¹
- [4] Firefly Investment is jointly controlled by the Government Employees Pension Fund ("GEPF") represented by the Public Investment Corporation ("PIC"), BFSSA Management Trust ("Management Trust"), Mvunonala Holdings (Pty) Ltd and Legal Exchange Corporation (Pty) Ltd ("Lexcorp").
- [5] Firefly Investment, its controlling firms and its subsidiaries will collectively be referred to as the Acquiring Group.

Primary target firm

The primary target firm is Bayport Management Ltd ("BML").² However it is not the subject of this merger, its wholly owned subsidiary Bayport Financial Services 2010 (Pty) Ltd ("BFSSA") is.

- [6] The acquiring group intends to acquire 51% of the issued share capital of BFSSA from BML. Upon implementation of the transaction, the acquiring group will control BFSSA. BML will post merger be diluted down to 49% of BFSSA. We were advised at the hearing that post-merger Firefly Investment will solely control BFSSA. At Firefly Investment level all its shareholders exercise joint control.³
- [7] Relevant to this transaction therefore are the activities of the transferred firm viz. BFSSA. BFSSA is a financial institution specializing in the provision of unsecured personal loans in South Africa, predominantly to the growing middle class and is responsible for the collection of these loans.

Impact on competition

¹ Firefly Investment is a newly established firm created for the purposes of the proposed transaction and currently does not have any business operations.

² BML is a financial institution specialising in selling and collecting credit life insurance linked to their unsecured loan products

³ Please see para 10-20, page 4 of the Tribunal Transcript

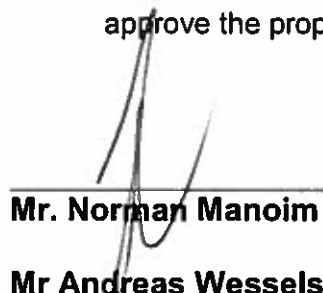
- [8] The Competition Commission ("Commission") considered the activities of the merging parties and found that the proposed transaction will not result in any horizontal overlap as none of the shareholders of the acquiring group holds a controlling interest in any entity that competes with services offered by BFSSA. Furthermore, the Commission found that post-merger, the merged entity will continue to face competition from other players such as Old Mutual Life Assurance Company South Africa Limited, Liberty Group Limited, Investec Assurance Limited and others.
- [9] The Commission is of the view that the proposed transaction is unlikely to substantially prevent or lessen competition in the broader market for the provision of long-term insurance.

Public interest

- [10] The merging parties confirmed that the proposed transaction will have no negative effect on employment.
- [11] The Commission was of the view that the transaction raises no other public interest concerns.

Conclusion

- [12] In light of the above, we conclude that the proposed transaction is unlikely to substantially prevent or lessen competition in any relevant market. In addition, no adverse public interest issues arise from the proposed transaction. Accordingly, we approve the proposed transaction without conditions.


Mr. Norman Manoim

26 January 2017
DATE

Mr Andreas Wessels and Mrs Medi Mokuena concurring

Tribunal Researcher:	Busisiwe Masina
For the merging parties:	Ms Ahmore Burger-Smidt of Werksmans Inc
For the Commission:	Zintle Siyo