

COMPETITION TRIBUNAL OF SOUTH AFRICA

Case no: LM012Apr25

In the large merger between:

Pepkor Trading (Pty) Ltd

Primary Acquiring Firm

And

**The retail brands and businesses known as
“Legit”, “Style”, “Boardmans”, “Swagga” and/or
Beaver Canoe”**

Primary Target Firms

Panel:	T Vilakazi (Presiding Member) A Ndoni (Tribunal Member) I Valodia (Tribunal Member)
Heard on:	20 August 2025
Order issued on:	27 August 2025
Reasons Issued on:	25 September 2025

REASONS FOR DECISION

Introduction

- [1] On 27 August 2025, the Competition Tribunal (“Tribunal”) conditionally approved the large merger whereby Pepkor Trading (Pty) Ltd (“Pepkor”) intends to acquire each of the retail brands and businesses operated by Retailability (Pty) Ltd (“Retailability”) under the following brand names: “Legit”, “Style”, “Boardmans”, “Swagga” and/or “Beaver Canoe”, collectively referred to as the Target Businesses. Post-merger, Pepkor will control the Target Businesses.

Parties to the transaction and their activities

Primary acquiring firm

- [2] The primary acquiring firm is Pepkor, a company incorporated in terms of the

laws of the Republic of South Africa. Pepkor is wholly owned and controlled by Pepkor Holdings Limited (“Pepkor Holdings”), a public company listed on the Johannesburg Stock Exchange (“JSE”), not controlled by a single shareholder.

- [3] Pepkor, the firms it controls and all firms controlling it are hereinafter referred to as the Acquiring Group.
- [4] Pepkor Holdings is a South African retailer that controls a number of South African subsidiaries involved in the clothing, homeware, beauty and cellular products markets.
- [5] Pepkor Holdings has four (4) operating segments, namely (i) clothing, footwear and homeware (“CFH”), (ii) furniture, appliances and electronics, (iii) fintech and (iv) strategic services. Of these, only the CFH and furniture segments are relevant to the proposed merger.
- [6] In South Africa, Pepkor’s CFH business includes retail brands such as (i) Pep, (ii) Ackermans, (iii) Pepkor Speciality,¹ (iv) Pep Africa and (v) Avenida. Pepkor’s furniture segment includes retail brands such as (i) Russells, (ii) Bradlows, (iii) Rochester, (iv) Sleepmaster, (v) HiFi Corporation and (vi) Incredible.
- [7] The Acquiring Group has a retail footprint of approximately 5 900 stores operating across nine (9) African countries and Brazil, and employs around 50 000 employees.²

Primary target firm

- [8] The Target Businesses are each of the retail brands and business operated by Retailability trading under the following brand names: (i) Legit (“Legit Business”), (ii) Stye (“Style Business”), (iii) Swagga (including Beaver Canoe) (“Swagga Business”) and (iv) Boardmans (“Boardmans Business”). The activities of the Target Businesses are briefly set out below.

¹ Pepkor Speciality includes brands such as Tekkie Town, Dunns, Refinery, Shoe City, Code, S.P.C.C and Ayana.

² Page 47 of the merging parties’ competitiveness report in the Merger Investigation Record.

- 8.1. **Legit** – Sells ladies fashion/apparel and various beauty products with a footprint of ■ stores in South Africa.
- 8.2. **Style** – Sells men’s and women’s contemporary and formal fashion wear, as well as kids clothing and cellular products. Style’s footprint comprises ■ stores across South Africa.
- 8.3. **Swagga** – Sells men’s and boys’ apparel with a footprint of ■ stores across South Africa.
- 8.4. **Boardmans** - Includes an online only store which sells a range of home related goods such as small appliances, bedding, towels, crockery, cutlery, outdoor cooking equipment, bathroom accessories, dining and serve ware, as well as other homeware products.

Description of the transaction and rationale

[9] In terms of the proposed merger Pepkor intends to acquire each of the retail businesses of the Target Businesses from Retailability.

[10] The proposed merger presents an opportunity for the Acquiring Group to add additional scale to its business and to expand its product offering. From the Target Businesses’ perspective, the proposed merger is an attractive opportunity for Retailability to realise a return on its investment.

Indivisibility assessment

[11] The Competition Commission (“Commission”) considered whether the proposed merger constitutes an indivisible transaction given that four Target Businesses are being acquired in terms of a single agreement. In its assessment, the Commission found that Retailability controls 100% of the Target Businesses and as such the proposed merger involves a common seller. The Commission further found that the transactions are conditional on each other through the single inter-conditional sale agreement concluded between the merging parties.

[12] We agree with the Commission’s assessment in this regard.

Competition assessment

[13] The Commission considered the activities of the merging parties and found that the proposed merger will result in a horizontal overlap in the following markets: (i) the national broad market for the retail of apparel; (ii) the national narrow market for the retail of women's apparel; (iii) the national narrow market for the retail of men's apparel; (iv) the national narrow market for the retail of kids apparel; (v) the national market for the retail homeware; (vi) the national market for the retail of cellular products; and, (vii) the national market for the retail of cosmetic products.

[14] The Commission's findings on market structure in relation to each market are summarised below.

14.1. **National broad market for the retail of apparel** – Based on sales revenue in 2024, the Commission found that the Acquiring Group has an estimated market share of █████% with an accretion of approximately █████% arising.

14.2. **National narrow market for the retail of women's apparel** – Based on sales revenue in 2024, the Commission found that the Acquiring Group has an estimated market share of █████% with an accretion of approximately █████% arising.

14.3. **National narrow market for the retail of men's apparel** – Based on sales revenue in 2024, the Commission found that the Acquiring Group has an estimated market share of █████% with an accretion of approximately █████% arising.

14.4. **National narrow market for the retail of kid's apparel** – Based on sales revenue in 2024, the Commission found that the Acquiring Group has an estimated market share of █████% with an accretion of approximately █████% arising.

14.5. **National market for retail homeware** – Based on sales revenue in 2024, the Commission found that the Acquiring Group has an estimated market share of █████% with an accretion of approximately █████% arising.

14.6. **National market for the retail of cellular products** – Based on sales revenue in 2024, the Commission found that the Acquiring Group has an estimated market share of █████% with an accretion of approximately █████% arising.

14.7. **National market for the retail of cosmetic products** – Based on sales revenue in 2024, the Commission found that the Acquiring Group has an

operate within a 10km radius of the merger parties' stores. The facia count in [REDACTED] is [REDACTED] including the merging parties.

18.3. In [REDACTED] the merging parties have stores located in [REDACTED] which is located approximately 6.5km from [REDACTED]. The Commission found that stores such as TFG, Mr Price and Footgear operate within a 10km radius of the merging parties' stores. The facia count will reduce from [REDACTED] to [REDACTED] post-merger.

18.4. In [REDACTED], the Commission found that there are a number of stores controlled by the merging parties within a 1.5km radius of each other. The facia count will reduce from [REDACTED] to [REDACTED] post-merger. The Commission found that other stores such as Mr Price, TFG and Footgear also operate within a 10km radius of the merging parties' stores.

[19] The Commission found that although these local markets are highly concentrated, no further intervention was warranted.⁴ We agree with this assessment in the circumstances of this transaction and in light of there being other competitors of the merger parties active in the identified local markets.

Creeping mergers

[20] In its creeping merger assessment, the Commission considered notifiable and non-notifiable acquisitions (small mergers) by the Acquiring Group. The Commission noted the following:

20.1. The Acquiring Group made two (2) notifiable acquisitions which the Commission recommended for approval to the Tribunal namely: (i) Pepkor Holdings Limited and Shoprite Furniture⁵ and (ii) Pepkor Trading and the business owned and operated by Good Hope Sales Cape (Pty) Ltd known as "Choice Clothing".⁶

⁴ The Commission relied on findings in the matter involving *Shoprite/Massmart* (Case No. 2021Aug0045) and *Beijer Ref South Africa/Tesca* (Case No. 2017Oct0043).

⁵ Competition Commission Case No. 2024Sep0053.

⁶ Competition Commission Case No. 2024Nov0058.

20.2. The Acquiring Group acquired [REDACTED] firms/businesses which were small mergers and thus non-notifiable.⁷

[21] Given the above, the Commission was of the view that the small merger acquisitions did not take place in the same markets and did not raise any creeping merger concerns. The Commission however endeavoured to continue to monitor future acquisitions of the Acquiring Group.

Third party concerns

[22] The following concerns were received from third parties during the Commission's investigation.

22.1. A competitor of the merging parties, raised concerns related to the ability of independent retailers to compete against large retailers in terms of space and price.

22.2. A competitor of the merging parties, raised concerns relating to internationally sourced merchandise by the Target Businesses. The competitor submits that it is unclear what proportion of the Target Businesses' merchandise is imported and it raised the concern that if there was to be a significant increase in internationally sourced merchandise as opposed to locally sourced merchandise, this would be detrimental to job creation in South Africa. It also submitted that the proposed merger will increase the merged entity's negotiating power with landlords due to the number of retail stores under one group which may crowd out smaller competitors or potential new entrants.

[23] The Commission found that the concerns raised by the competitor were not merger specific. Further that the accretion in all of the relevant markets is relatively low. The Commission also found that the merged entity would continue to be constrained by other competitors such as TFG and Mr Price Group.

⁷ [REDACTED]

[REDACTED] See page 47 of the Commission's recommendation.

[24] The Commission also found that the proposed merger is unlikely to result in any significant changes in market structure and would not afford the merged entity significant additional negotiating power relative to landlords.

[25] Considering the above, we are of the view that the proposed merger is unlikely to substantially lessen or prevent competition in any relevant market.

Public interest

Employment

[26] The merging parties submitted that the proposed merger would have no negative effect on employment.

[27] The Commission found that ■ employees of Pepkor and ■ employees of the Target Businesses were retrenched in the last 12 months. The merging parties submitted that these retrenchments were unrelated to the proposed merger and were as a result of store closures and store size reductions. The Commission further noted that ■ had identified ■ potential future retrenchments.

[28] In respect of the ■ employees retrenched by the Acquiring Group, the job levels of the retrenched employees ranged from sales assistants and customer service agents to store managers with varied skill levels from skilled ■ to unskilled ■. The selection criteria for the retrenchments were based on the last in first out principle (“LIFO”). The retrenchments were as a result of closures of underperforming stores across South Africa. Prior to this, various alternatives such as cost cutting and cutting back of wages were considered but were ultimately not viable.

[29] In respect of the ■ employees retrenched from the Target Business, the Commission found that these were as a result of store closures. The Target Businesses tendered that they would rehire the retrenched employees if similar roles became available over a period of six (6) months.

[30] Ultimately, the Commission found that the retrenchments were unlikely to be related to the proposed merger. The Commission however recommended the imposition of a moratorium on merger-specific retrenchments for a period of two (2) years. The merging parties further committed to offering the retrenched employees re-employment opportunities as and when these roles become available for a period of three (3) years.

Submissions by employee representatives and trade unions

[31] The Commission engaged with the employee representatives of (i) Pep, (ii) Ackermans, (iii) Pepkor Speciality and (iv) Pepkor Lifestyle, who did not raise any concerns. The Commission also engaged with the following trade unions representing the employees of divisions of Pepkor Trading: (i) the South African Commercial, Catering and Allied Workers Union (“SACCAWU”), (ii) South African Clothing and Textile Workers Union (“SACTWU”) and (iii) the Federal Council of Retail and Allied Workers (“FEDCRAW”). SACCAWU did not raise any concerns and the concerns raised by SACTWU and FEDCRAW are summarised below.

31.1. FEDCRAW requested the merging parties to consider a 5-year moratorium on retrenchments and further raised concerns that the terms of employment may be less favourable post-merger. FEDCRAW also requested the merging parties to consider a revised employee share ownership programme (“ESOP”) for the benefit of historically disadvantaged person (“HDP”) workers.

31.2. SACTWU raised concerns related to the merging parties’ intention to restructure which would result in job losses over time. SACTWU further sought a commitment from the merging parties in respect of the operations of █████ █████ – that the █████ jobs listed as possible retrenchments in the merger filing be saved. SACTWU also requested the merging parties to outline the impact of the proposed merger on sourcing practices of Pepkor and the Target Businesses post-merger.

[32] In response to FEDCRAW’s concerns, the Commission noted that the merging parties were amendable to the implementation of a 2-year moratorium on

retrenchments and a further commitment to transfer the relevant employees of the Target Business on terms and conditions which are not less favourable than their current employment terms and conditions. In respect of FEDCRAW's request for an ESOP, the Commission was of the view that the proposed merger promotes a greater spread of ownership by HDPs further discussed below.

[33] In relation to SACTWU's concerns, the Commission found that the Acquiring Group's supplier code of conduct is in line with South African labour standards and laws. The Commission further noted that Retailability has a code of conduct which it requires every supplier to sign before an account is opened. Failure to adhere to this code will result in the cancellation of the contractual relationship.

[34] Considering the above, we are of the view that the proposed merger is unlikely to have a negative impact on employment.

Effect on a particular industrial sector or region

[35] The Department of Trade Industry and Competition ("DTIC") made submissions during the Commission's investigation related to local procurement and local content perspective as it appeared that imports would continue to be a prominent feature in the merged entity's supply chain. In light of this, the DTIC requested the merging parties to clarify the prospects for local procurement from HDP suppliers following the implementation of the proposed merger.

[36] SACTWU similarly raised concerns related to the sourcing practices of the merging parties and requested clarification on whether the proposed merger would lead to an increase or decrease in local sourcing by the Acquiring Group post-merger. SACTWU further submitted that it is alleged that [REDACTED] [REDACTED] sources local products from factories where human and labour rights are violated.

[37] In respect of procurement, the Commission recommended a condition that the merged entity shall ensure that the value of locally manufactured merchandise from South African SMEs and substantially empowered manufacturers shall be equal to or exceed the value of the current procurement spend for a period of three (3) years.

[38] In relation to the concerns regarding human and labour rights violations, a condition was tendered which required the merging parties to work with suppliers of the [REDACTED] to understand, avoid and address risks associated with human rights abuses, and to further update all sourcing agreements to reflect a commitment to human rights standards (“Supplier Condition”). This commitment further requires the merging parties to conduct inspections of facilities of new suppliers prior to placing an order as well as inspections of the facilities of current suppliers.

[39] The proposed conditions as initially formulated, particularly the Supplier Condition made reference to standards of “*the International Labour Organization*” and “*the United Nations Guiding Principles on Business and Human Rights*” as the benchmark for the protection of employee labour rights. We queried the enforceability and certainty of this inclusion given the prevalent South African labour law legislation. The Commission, in conjunction with SACTWU, proposed alternative wording with which we were satisfied.⁸

Promotion of a greater spread of ownership

[40] The Commission found that Pepkor Holdings has a shareholding by HDPs of 25.84%, whereas Retailability [REDACTED].

[41] We are of the view that the proposed merger raises no substantial issues regarding the promotion of a greater spread of ownership, or any other public interest issue.

Conclusion

[42] For the reasons set out above, we are satisfied that the proposed merger is unlikely to lead to a substantially prevention or lessening competition in any relevant market. Furthermore, the proposed merger does not raise further public interest concerns.

⁸ Email correspondence from the Commission dated 25 August 2025.

[43] We accordingly approved the proposed transaction subject to the conditions set out in **Annexure A** of our Order dated 27 August 2025.

Signed by: Thando Vilakazi
Signed at: 2025-09-25 13:38:49 +02:00
Reason: Witnessing Thando Vilakazi

Thando Vilakazi

25 September 2025

Prof. Thando Vilakazi

Date

Ms Andiswa Ndoni and Prof. Imraan Valodia

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