COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No.: LM037Jun25

In the matter between:

VCAP1 Alliance (Pty) Ltd	Primary Acquiring Firm
and	
Cellair (Pty) Ltd, Silver Dawn Investments 181 (Pty) Ltd, Powerpack Solutions (Pty) Ltd and Onetime Airtime (Pty) Ltd which entities form part of Cellair Holdings (Pty) Ltd	Primary Target Firms

Panel	:	T Vilakazi (Presiding Member)
	:	I Valodia (Tribunal Member)
	:	A Ndoni (Tribunal Member)
Heard on	:	20 August (in chambers) and 18 September 2025 (virtual)
Date of last submissions	:	02 October 2025
Order issued on	:	07 October 2025
Reasons issued on	:	14 November 2025

REASONS FOR DECISION

Introduction

[1] On 07 October 2025, the Competition Tribunal ("Tribunal") unconditionally approved the large merger whereby VCAP1 Alliances (Pty) Ltd ("VCAP1") intends to acquire 100% of each of (i) Cellair (Pty) Ltd ("CellAir"), (ii) Silver Dawn Investments 181 (Pty) Ltd ("Silver Dawn"), (iii) Powerpack Solutions (Pty) Ltd ("Powerpack") and (iv) Onetime Airtime (Pty) Ltd ("Onetime") collectively referred to as the "CellAir Group" from CellAir Holdings (Pty) Ltd ("CellAir Holdings").

[2] Post merger, VCAP1 will exercise sole control over the CellAir Group and CellAir Holdings will retain [redacted]% shareholding in the CellAir Group through its [redacted]% shareholding in VCAP1.

Parties to the transaction and their activities

Primary acquiring firm

[3] The primary acquiring firm is VCAP1[1]. It is ultimately controlled by [redacted] [2]

[4] VCAP1 is an investment holding company established to invest in the fintech and payments industry. It operates through the following companies, including their respective activities:

a. *Virtual Payment Solutions (Pty) Ltd* ("VPS"), which operates as an intermediary between mobile network operators ("MNOs"), distributors and retailers by offering various virtual prepaid solutions. Its core business is repackaging and bundling airtime to be sold to customers. VPS is also involved in distributing prepaid electricity tokens and Lotto/ Powerball tickets, which form a negligible part of its business.
b. *SwitchOne (Pty) Ltd* ("SwitchOne"), which operates as a Third-Party Payment Processor ("TPPP"). SwitchOne has developed a cloud native, bank-independent financial switch that focuses on the provision of high-volume, secure and convenient payment, prepayment and Value-Added Services ("VAS") and products to the South African market. SwitchOne's core offerings include transaction switching and Point of Sale ("POS") payment services.

[1] VCAP1 is a special-purpose vehicle entity.
[2] [redacted]

c. *The Prepaid World Group's* core offering includes the tokenisation and distribution of electricity tokens in the prepaid environment, and the provision of revenue enhancement systems for both prepaid and postpaid utility customers. The focus is on municipalities and private utilities.

[5] VCAP1, its controllers and subsidiaries are referred to as the "Acquiring Group".

Primary target firm

[6] The primary target firm is the CellAir Group, which does not control any firms; however, it is wholly controlled by CellAir Holdings.[3]

[7] In summary, the CellAir Group's activities, through CellAir, involve the supply of VAS-enabled POS terminals that target the informal markets, small, medium and micro-enterprises, and the fuel sector. It also facilitates the distribution and sale of a variety of VAS products sourced from intermediaries and aggregators such as RA Cellular (for prepaid airtime, electricity, and vouchers), Sandulela, Syntell, Conlog, and EasyPay for prepaid electricity, and Kazang for vouchers. The Acquiring Group also supplies limited VAS products, specifically prepaid electricity and prepaid airtime, to the CellAir Group.

[8] Additional activities within the CellAir Group include an online prepaid electricity vending platform that uses only Electronic Funds Transfers (EFTs) as payment via Onetime, a SIM card distributor via Powerpack, and a purpose-built campus through which it operates in Nigel, Gauteng, owned by Silver Dawn.

[3] See Figure 1, page 21 of the Commission's Recommendation.

Competition assessment

Horizontal assessment

[9] The Competition Commission ("Commission") found that the proposed transaction results in a vertical overlap. This is because the CellAir Group's POS terminals facilitate the distribution and sale of a variety of VAS products (i.e., prepaid airtime, electricity and vouchers) sourced from intermediaries or aggregators such as the Acquiring Group, which have direct or indirect relationships with the upstream suppliers of VAS products such as MNOs and municipalities.

[10] The merging parties submitted that there is limited notional horizontal overlap in relation to the supply of VAS products arising in this proposed transaction, which is unlikely to substantially prevent or lessen competition.[4]

[11] Accordingly, the Commission assessed the following markets: national upstream market for the provision of (i) prepaid airtime and data, (ii) prepaid electricity, (iii) bill payments, and (iv) lottery tickets. It also considered the national downstream market for the supply of VAS-enabled POS devices.

[12] The Commission found that VCAP1 has an estimated market share in 2024[5] of less than [redacted]% in the sale or supply of airtime and data. VCAP1 competes with the likes of Blue Label ([redacted]%), Kazang ([redacted]%), Shop2Shop ([redacted]%) and Flash ([redacted]%), amongst others.

[13] Similarly, VCAP1 has a relatively small estimated market share of [redacted]% in the sale or supply of prepaid electricity. Post-merger, VCAP1 will continue to be constrained by players such as EasyPay ([redacted]%), Kazang ([redacted]%) and Flash ([redacted]%), amongst others.

[4] Page 53 of the Competitiveness Report.
[5] For all estimations of market shares, the Commission relied on data from the merging parties, the submissions of various third party operators, and the Electrum 2024 Factsheet. Market shares are based on vend value in Rands.

[14] The Commission also observed that VCAP1 has a very small estimated market share of less than [redacted]% in the provision of bill payments. Other players in this market include Blue Label, Shop2Shop, and Flash, amongst others.

[15] Likewise, VCAP1 will have a negligible estimated market share of less than [redacted]% in the upstream market for the provision of lottery tickets.

[16] In terms of the national downstream market for the supply of VAS-enabled POS devices, the Commission found that the CellAir Group has a small estimated market share of approximately [redacted]% in the market for the supply of POS devices. The CellAir Group will continue to face competition from other players in the market, such as Kazang ([redacted]%), Shop2Shop ([redacted]%), iKhokha ([redacted]%) and Flash ([redacted]%), amongst others.

Vertical assessment

<u>Input foreclosure</u>

[17] The merging parties submitted that the proposed transaction aims to leverage VCAP1's [redacted] with the [redacted] and [redacted], thereby [redacted] the CellAir Group's [redacted]

[18] The Commission therefore considered whether VCAP1 will have the ability and incentive to foreclose or limit the access of CellAir's competitors to prepaid airtime and data, prepaid electricity, bill payments, and lottery tickets. It concluded that VCAP1 is unlikely to foreclose competitors from these products, given its comparatively low estimated market shares of below [redacted]% in prepaid airtime and data, bill payments, and lottery tickets.

[19] The Commission noted that VCAP1's estimated national market share in prepaid electricity is approximately [redacted]%. However, some aggregators expressed concerns that certain market dynamics could enable VCAP1 to foreclose competitors' access to prepaid electricity post-merger.

[20] The concerns raised by the third parties, together with the submissions by the merging parties and the Commission, are considered in the section below.

Third-party concerns

[21] Competitors such as [redacted] [redacted] raised concerns that post-merger, VCAP1 could restrict access to prepaid electricity in municipalities where it holds exclusive or near-exclusive contracts, potentially disadvantaging other aggregators. As such, prepaid electricity aggregators could be dependent on VCAP1 for access to prepaid electricity in such regions, as they do not hold direct contracts with municipalities and must obtain access via switching or platform integration with VCAP1.

[22] In response, the merging parties argued that exclusive supply to CellAir is commercially irrational. VCAP1 operates as an open-access provider, has a limited municipal footprint ([redacted] of [redacted] municipalities, less than 10%), and applies standard commercial terms to all aggregators. CellAir's POS terminals focus on other VAS products, and its market share is small. Furthermore, exclusive contracts are common in the industry.

[23] VCAP1 could theoretically foreclose other aggregators in these [redacted] municipalities, where it holds exclusive contracts for electricity tokens. However, the Commission considered it unlikely that VCAP1 will have the incentive to do so, as an effective distribution capacity and strategy is essential in the bidding process for aggregators. The Commission evaluated municipal requests for proposals and found that while open access is not formally required, it is commonly preferred. Municipalities typically request a wide range of distribution

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[6] [redacted]

[7] [redacted]

[8] [redacted]

channels (including banking apps, e-commerce, and large retail), as open access supports broader reach and better service delivery to residents. Furthermore, as this is a tender market, municipalities typically go on tender in 3 to 5 years, which means supply to these markets is contestable in each tender window.

[24] In addition, the Commission noted that CellAir is not an aggregator or distributor and has less than [redacted]% market share with no direct procurement from MNOs or municipalities. This makes it unlikely to be used as an exclusive channel for VCAP1, reducing any incentive to exclude competitors.

[25] CellAir also accounted for less than 1% of prepaid airtime sales in the financial year 2024/25, and its vend value for purchasing prepaid electricity from VCAP1 in 2025 was limited. VCAP1 is also not the only firm with exclusive municipal contracts; competitors like Blue Label, Syntell, and others have similar arrangements. VCAP1's business model [redacted]

[26] Therefore, imposing remedies on VCAP1 would result in selective and asymmetric regulation, as other players with exclusive or near-exclusive arrangements with municipalities would not be affected by the same remedies.

[27] In light of the above, we did not find that the foreclosure concerns raised were likely to arise.

<u>Customer foreclosure</u>

[28] In assessing customer foreclosure, we considered whether the CellAir Group is a significant player in the downstream market for the supply of POS devices to the extent that the merged entity will have the ability and/or incentive to foreclose aggregators' access to POS devices.

[29] We considered that the merged entity will not have the ability to foreclose aggregators' access to POS devices. This is because the CellAir Group has a

comparatively small estimated market share of less than [redacted]% in the downstream market for the supply of POS devices. Major players in this market include Kazang ([redacted]%), Shop2Shop ([redacted]%), iKhokha ([redacted]%), and Flash ([redacted]%). Further, in the financial year 2024/25, electricity and prepaid airtime sales accounted for a negligible share of the total value of sales of VCAP1 and CellAir Group, respectively.

[30] Considering the above, we found that the merged entity would not have the ability or incentive to foreclose other aggregators, distributors, customers and competitors of CellAir.

[31] In light of the above, we concluded that the proposed transaction is unlikely to substantially prevent or lessen competition in any relevant market(s).

Public interest assessment

Effect on employment

[32] The merging parties confirmed that no job losses or retrenchments would occur as a result of the proposed transaction. In addition, employment opportunities are likely to be created over time as the merged entity becomes more established.[9] Further, the employee representatives of the merging parties did not raise any concerns.

[33] We concluded that the proposed transaction does not give rise to any employment concerns.

Effect on the promotion of a greater spread of ownership

[34] The merging parties submitted that the proposed transaction would effectively result in an increase in ownership by historically disadvantaged persons ("HDPs"), primarily through the inclusion of the CellAir Group employees in

[9] Page 58, paragraph 9.2 of the Merger Record.

VCAP1's employee share ownership programme ("ESOP") that is to be established. The VCAP1 ESOP stems from a prior transaction[10] approved by the Tribunal on 18 April 2024, in terms of which VCAP1 was required, within 24 (twenty-four) months following the implementation date of the prior transaction, to establish an ESOP that would hold [redacted]% of the shares in VCAP1 ("the 2024 ESOP Conditions").

[35] The merging parties submitted that as a result of the proposed transaction the effective interest of the 2024 ESOP in VCAP1 will be diluted from [redacted]% to [redacted]%. This [redacted]% dilution arises due to the funding arrangements required to implement the proposed transaction following the approval of the prior transaction and the subsequent opportunity that arose to acquire interests in the CellAir Group.[11] The proposed transaction is [redacted] VCAP1 [redacted] provided by certain existing VCAP1 shareholders and VCAP1 [redacted] which [redacted] for the [redacted] in the [redacted].

[36] The merging parties and the Commission clarified that although there is a reduction in the percentage shareholding to be held by the ESOP, the value of the ESOP on a per worker basis would increase, and a significantly greater number of workers would participate in it. Specifically, despite the dilution, the overall value of the ESOP established under the 2024 ESOP Conditions will increase substantially from [redacted] to R[redacted], and the number of participating employees will almost double from [redacted] to [redacted], through the inclusion of CellAir's employees post-merger.

[37] Based on the evidence before us, we were satisfied that the proposed adjustment to the 2024 ESOP combined with the increased underlying value of the VCAP1 business in which the ESOP would hold an interest (enhanced by the inclusion of the CellAir businesses), will significantly improve the benefits available to the affected employees.

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[10] *VCAP1 Alliances (Pty) Ltd and Utilities World (Pty) Ltd, Prepaid Utilities World CC, Softline Software CC, Winciki Investment (Pty) Ltd and Intelli Meter (Pty) Ltd*, Tribunal Case No. LM174Feb24.
[11] Commission's letter dated 20 August 2025.

[38] The above notwithstanding, the issue that remained outstanding before us was the question of whether a formal application to vary the 2024 ESOP Conditions, imposed by the Tribunal in a separate transaction involving the same acquiring firm, VCAP1, but a different target firm, was required.

[39] The Commission in its recommendation and in correspondence with the merging parties during its investigation, indicated that the dilution of the 2024 ESOP Condition necessitates a formal variation application to ensure compliance with the Tribunal's earlier Order and conditions. The merging parties had submitted that the Tribunal is empowered to vary the 2024 ESOP Conditions in the context of the proposed transaction without a separate formal variation application, in terms of section 27(1)(d) of the Competition Act.

[40] Nevertheless, the Commission concluded that the proposed transaction does not raise any public interest concerns and recommended approval without conditions.

[41] Given this, we accordingly requested submissions from the parties clarifying: (i) the nature and necessity of the dilution, including whether the transaction could be structured in a manner that preserves the ESOP shareholding percentage agreed upon in the prior transaction; and (ii) whether the dilution necessitates a formal variation of the clause relating to the ESOP in that earlier transaction.

[42] The Commission noted, *inter alia*, that it may be prudent for the Tribunal to consider both the proposed transaction and the variation of the 2024 ESOP Conditions within the same proceedings. It further confirmed that although the ESOP shareholding will reduce from [redacted]% to [redacted]% as a result of the proposed transaction, the overall value of the ESOP will increase, as detailed in its recommendation.[12]

[43] The merging parties submitted that the Tribunal is competent to replace or vary previously imposed merger conditions with new or revised conditions without a

[12] Merger Parties' letter dated 20 August 2025; Commission's letter dated 20 August 2025.

formal variation application in these proceedings. They relied on the Tribunal's decision in *New Holdco and Edgars Consolidated Stores Ltd* ("New Holdco and Edgars")[13] in support of this submission, contending that section 27(1)(d) of the Competition Act confers such authority on the Tribunal.[14]

[44] On 18 September 2025, we convened a hearing to address the issues relating to the ESOP and the necessity for a formal variation application. During the hearing, the Commission buttressed its position regarding the variation application and the matters being heard at once.

[45] In their submissions, the merging parties confirmed that the 2024 ESOP would be put in place within the anticipated timeframe, and that its structure would not change in other respects.[15]

[46] In addition, the merging parties submitted that the Tribunal could address the ESOP changes by imposing a new set of conditions rather than varying the existing ones. As the Commission is already monitoring compliance, issuing new conditions that mirror and supersede the prior transaction would be a practical solution, consistent with *New Holdco and Edgars*.

[47] In our view, *New Holdco and Edgars* and *Parentco/Edcon*[16] as cited by the merging parties are distinguishable from the current matter. These cases involved the replacement of conditions in substantively the same transaction, which were formally brought before the Tribunal. By contrast, the proposed transaction concerns different target firms, and the existing ESOP conditions from the prior transaction are not currently before the Tribunal for amendment or replacement.

[48] The merging parties' proposed approach raises both pragmatic and legal questions, drawing parallels to the Constitutional Court matter involving

[13] *New Holdco and Edgars Consolidated Stores Limited*, Tribunal Case No. LM270Mar19.
[14] Merger Parties' letter dated 20 August 2025.
[15] Hearing transcript of 18 September 2025, pages 6 and 7.
[16] *Parentco Proprietary Limited and Edcon Limited* ("Parentco/Edcon"), Tribunal Case No. LM117Sep16.

Vodacom (Pty) Ltd v Makate and Another[17], concerning a ruling made on an issue not properly before a Court, a concern which was raised by the Tribunal in the hearing.[18]

[49] With there being no further compelling reason to circumvent the variation application process regarding the prior transaction, we determined that a variation application pertaining to the 2024 ESOP Conditions was required, prior to the Tribunal issuing its decision and order in the instant transaction. The merging parties duly lodged such an application for consideration on an expedited basis by the Tribunal given the commercial timing pressures related to the instant transaction.[19] The variation application was not opposed by the Commission.

[50] We determined in the variation matter[20], decided on 02 October 2025, to approve the proposed amendment in the shareholding of the ESOP from [redacted]% to [redacted]% in light of our finding that the underlying value of the ESOP would increase in substance for the benefit of the affected employees.

[51] Pursuant to our conclusion on the variation application, we concluded that the proposed transaction does not raise any further concerns in the relation to the promotion of a greater spread of ownership.

[52] The proposed transaction did not raise any other public interest issues.

Conclusion

[53] For the above reasons, we unconditionally approved the proposed transaction.

[17] *Vodacom (Pty) Ltd v Makate and Another* [2025] ZACC 13 at paragraph 102.
[18] Hearing transcript of 18 September 2025, pages 13 and 14.
[19] *VCAP1 Alliances (Pty) Ltd and Competition Commission of South Africa*, Tribunal Case No. VAR096Sep25.
[20] Order issued on 02 October 2025, Tribunal Case No. VAR096Sep25.

Signed by:Thando Vilakazi
Signed at:2025-11-14 14:14:06 +02:00
Reason:Witnessing Thando Vilakazi

Thando Vilakazi

14 November 2025

Prof. Thando Vilakazi **Date**

Ms Andiswa Ndoni and Prof. Imraan Valodia concurring.

Tribunal Case Manager:	Theresho Galane and Sinethemba Mbeki.
For the Merging parties:	Mark Garden, Dudu Mogapi and Omolemo Motale of Webber Wentzel.
For the Commission:	Grashum Mutizwa and Billy Mabatamela.