



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: 018382

In the matter between:

DIMENSION DATA MIDDLE EAST AND AFRICA (PTY) LTD

Primary Acquiring Firm

And

DATAFLO SA (PTY) LTD

Primary Target Firm

Panel : Norman Manoim (Presiding Member)
: Medi Mokuena (Tribunal Member)
: Dr Takalani Madima (Tribunal Member)
Heard on : 05 March 2014
Order Issued on : 05 March 2014
Reasons Issued on : 11 March 2014

Reasons for Decision

Approval

- [1] On 5 March 2014 The Competition Tribunal ("Tribunal") unconditionally approved the acquisition by Dimension Data Middle East and Africa (Pty) Ltd of the remaining 50% stake in Dataflo SA (Pty) Ltd.

[2] The reasons for unconditionally approving the proposed transaction follow.

Parties to the Transaction

Primary acquiring firm

[3] The primary acquiring firm is Dimension Data Middle East and Africa (Pty) Ltd ("DDMEA"), a company incorporated in terms of the laws of South Africa. DDMEA is controlled by Dimension Data Holdings Plc ("DD Holdings Plc") which is in turn controlled by Nippon Telegraph and Telephone Corporation ("NTT"), a company incorporated in terms of the laws of Japan.

[4] NTT and DD Holdings Plc directly or indirectly exercise control over the following companies in South Africa:

- DDSA Holdings;
- Rumiscene (Pty) Ltd;
- Dimension Data Management Services (Pty) Ltd;
- Protocol Venture Capital (Pty) Ltd; and
- Merchant SA (Pty) Ltd.

[5] DDMEA controls the following firms in South Africa:

- Dimension Data (Pty) Ltd;
- Linx (Pty) Ltd;
- Omni-Link (Pty) Ltd;
- Internet Solutions (Pty) Ltd;
- Dimension Data Facilities (Pty) Ltd;
- Dimension Data Integrated Security Solutions (Pty) Ltd;
- The Oval Advertising and Promotions Co (Pty) Ltd;
- Plessey (Pty) Ltd;
- Syac (Pty) Ltd; and

- Dataflo SA (Pty) Ltd.¹

Primary target firm

[6] The primary target firm is Dataflo SA (Pty) Ltd (“Dataflo”) which is jointly owned by DDMEA and Coca-Cola SABCO (Pty) Ltd (“CCS”) with each entity holding a 50% share.

Proposed Transaction

[7] In terms of the Sale and Purchase of Shares Agreement, DDMEA is acquiring the remaining 50% shares held in Dataflo from CCS. Upon the acquisition of the remaining 50% shareholding, DDMEA will gain sole control of Dataflo.

Rationale

[8] CCS wishes to sell its 50% shareholding in Dataflo since Dataflo’s business falls well outside the core focus of CCS. Thus CCS is largely unable to influence Dataflo’s strategic direction. DDMEA has extensive experience in the information technology (“IT”) industry, has identified numerous opportunities for Dataflo to pursue and thus wishes to acquire sole control of Dataflo.

Relevant Market and Impact on Competition

[9] The relevant geographic market was found to be national. The Commission did not conclude on the relevant product market but assessed the proposed transaction in the broad market for the provision of IT services and in the following narrow markets:

- the market for the provision of IT consulting services;
- the market for the provision of business consulting services;
- the market for the provision of custom application development services;

¹ See paragraph 6 below.

- the market for the provision of managed services;
- the market for the provision of outsourcing services; and
- the market for the provision of hosting services.

[10] A horizontal overlap was found to exist in each of the aforementioned narrow markets. Post-merger, the merged entity will hold market shares of 22% (accretion of 1%) in the market for the provision of managed services and 35% (accretion of 1%) in the market for the provision of hosting services. Notwithstanding these high market shares, the accretion in both markets is small. Furthermore the market for the provision of broad IT services is fragmented and the merged entity will remain constrained by numerous viable competitors such as Business Connexion, Gijima and Bytes.

Conclusion

[11] In light of the above we conclude that the proposed transaction is unlikely to substantially prevent or lessen competition in the broad market for the provision of IT services or in the aforementioned narrowly defined markets. In addition, no public interest concerns arise from the proposed transactions. Accordingly, we approve the transaction unconditionally.



Norman Manoim

Medi Mokuena and Dr Takalani Madima concurring

Tribunal Researcher: Derrick Bowles

For the merging parties: Tyron Fourie - Mahons Attorneys

For the Commission: Themba Mahlangu and Lesenda Grace Mohamed

11 March

DATE