

**COMPETITION TRIBUNAL OF SOUTH AFRICA**

**Case No: 126/LM/Dec08**

In the matter between:

**Steinhoff Doors and Building Materials (Pty) Ltd and  
Steinbuild Properties (Pty) Ltd**

Acquiring Firms

And

**Wierdapark Home Centre (Pty) Ltd  
Centurion Home Centre (Pty) Ltd  
Zambezi Home Centre (Pty) Ltd, and  
Home Centre Hartbeespoort (Pty) Ltd**

Target Firms

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Panel : D Lewis (Presiding Member) N Manoim, (Tribunal Member),  
and Y Carrim (Tribunal Member)

Heard on : 11 February 2009

Order Issued : 11 February 2009

Reasons Issued: 11 June 2009

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**Reasons for Decision**

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**Approval**

[1] On 11 March 2009, the Tribunal unconditionally approved the merger between Steinhoff Doors and Building Materials (Pty) Ltd and Steinbuild Properties (Pty) Ltd (the acquiring firms) and Wierdapark Home Centre (Pty) Ltd, Centurion Home Centre (Pty) Ltd, Zambezi Home Centre (Pty) Ltd, and Hartbeespoort (Pty) Ltd (the target firms). The reasons for approving the transaction follow.

**The parties**

[2] The primary acquiring firms are Steinhoff Doors and Building Materials (Pty) Ltd ("Steinhoff Doors"), and Steinbuild Properties (Pty) Ltd ("Steinbuild"). Steinhoff Doors and Steinbuild are ultimately controlled by Steinhoff International Holdings Limited ("SIH"), a public company listed on the JSE Securities Exchange.

- [3] The primary target firms are the four businesses and the four premises from which the following businesses operate, namely, Wierdapark Home Centre (Pty) Ltd (“Wierda Park Home Centre”), Centurion Home Centre (Pty) Ltd (“Centurion Home Centre”), Zambezi Home Centre (“Zambezi Home Centre”), and Home Centre Hartbeespoort (Pty) Ltd (“Hartbeespoort Home Centre”).
- [4] The four Home Centre Stores operated by the target firms are all Timbercity Franchised stores and are all wholly owned subsidiaries of Home Centre Holdings (Pty) Ltd (“Home Centre Holdings”).
- [5] Home Centre Holdings is owned by the Johann Maritz Trust which holds 73% and Johann Ignatius Maritz who holds the remaining 27% shares.
- [6] The Johann Maritz Trust wholly owns Home Centre (Pty) Ltd, Loan Oak Property Investments (Pty) Ltd, SWJ Beleggings (Pty) Ltd and Future Indefinite Investments 160 (Pty) Ltd. The Johann Maritz Trust also owns 90% of the shares in Yin Yang Beleggings (Pty) Ltd and the other 10% shares are held by Casper Dippenaar.
- [7] The firms comprising the target group do not control any firms.

#### **Description of the transaction**

- [8] The proposed transaction is in two steps which will take place simultaneously. The first step involves an acquisition by Steinhoff Doors of the Home Centre business being conducted by Home Centre Holdings (Pty) Ltd, as well as the Home Centre businesses being conducted by its four wholly owned subsidiaries as going concerns.
- [9] The second step involves the acquisition by Steinbuild of the entire issued shares in:
- [9.1] Home Centre (Pty) Ltd, which owns the properties from which Home Centre Holdings (Pty) Ltd and Wierdapark Home Centre Holdings (Pty) Ltd operate;
- [9.2] SWJ Beleggings (Pty) Ltd, which owns the properties from which Centurion Home Centre Holdings (Pty) Ltd operates;
- [9.3] Loan Oak Property Investment (Pty) Ltd, which owns the property from which Centurion Home Centre Holdings (Pty) Ltd operates; and

- [9.4] Future Indefinite Investments 160 (Pty) Ltd, which owns the properties from which the Hartebeespoort Home Centre Holdings (Pty) Ltd operates.
- [10] In addition, Steinbuild will also acquire immovable property from which Wierda Park Home Centre (Pty) Ltd currently operates.

## **THE PARTIES' ACTIVITIES**

### **Primary acquiring firms**

- [11] SIH, through its numerous subsidiaries and associate companies, is a diversified industrial company in South Africa. Its main areas of operation include forestry, saw milling, production and sale of processed timber products through PG Bison; the manufacturing of household goods, logistics, the manufacture of foam and textiles and motor vehicle retail.
- [12] The Steinhoff Group is also actively involved in the retailing of building supplies, hardware and related products to tradesmen and to do-it-yourself ("DIY") homeowners through the Timbercity and Pennypinchers DIY retail stores. Timbercity Franchises is a retail merchandising business specialising in formica, solid surfacing, wood and wood based products. The Pennypinchers Trust is a trust-based joint venture conducting distribution and sale of timber and board products, ancillary hardware and related goods, as well as paint and furniture components.

### **Primary target firm**

- [13] All of the four Home Centre stores are involved in the supply of a large range of building supplies, hardware and related products to tradesmen and DIY homeowners. These products include board and timber, building material, plumbing and electrical equipment, power tools, hand and gardening tools as well as a variety of paints, decor and doors. They also provide related services to customers such as cutting and edging of boards, customised kitchen design, mixing of paints and delivery of products. The four Home Centre stores operated by the target firms are all Timbercity Franchised stores. These four Home Centre stores are owned and operated by the franchisee. In effect Steinhoff (the franchisor) of Timbercity is buying its franchisees, the four Home Centre store trading as Timbercity.

### **Rationale for the transaction**

- [14] The primary acquiring firms stated that the proposed transaction will provide Steinhoff with an opportunity to begin supplying building supplies, hardware and related products in Pretoria and its surrounding areas, and serves as a platform to roll-out its Pennypinchers brand in these areas. In addition Steinhoff hopes to build on the existing client base of the Home Centre Stores.
- [15] The shareholders of the target group want to realise their investment in the target firms.

### **The relevant markets**

- [16] The Commission and the parties submitted that there are two relevant upstream markets in this transaction, namely the market for the production and supply of raw and upgraded particle board; and the market for the production and supply of raw and upgraded medium density fibre board (“MDF”). They further submitted that this market is national as the acquiring firm distributes processed timber products to retailers all over South Africa. There is no product overlap in these markets as the primary target firms are not active in these markets. As a result, the Tribunal shall not analyse the upstream markets any further.<sup>1</sup>
- [17] The Commission submitted that there is an overlap in the activities of the parties with regards to the downstream market of retailing of building supplies, hardware and related products. The acquiring firm participates in this market through its relationship with other Timbercity and Pennypinchers outlets.

### **Competition analysis in horizontal markets**

- [18] The merging parties estimated their pre and post merger market shares in the market of retailing of building supplies, hardware and related products as follows:

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<sup>1</sup> The players in this market include PG Bison with a market share of 47% in particle board market and 59% MDF market; Sonae with a market share of 39% in the particle board market and 8% in MDF market; Magna with a market share of 8% in the particle board market; and Imports which account for 6% of the particle board market and 33% of the MDF market

**Table 1: Merging parties' estimated pre and post market shares in the downstream market**

<b>Home Centre Store</b>	<b>Estimated market share</b>
Hartbeespoort Home Centre	16%
Wierdapark Home Centre and Centurion Home Centre	9.5%
Zambezi Home Centre	3.7%

*Source: Merging parties' estimates*

[19] The Commission could not fully ascertain the exact market shares of the merging parties as there is no industry association which collects data, and competitors did not have estimates alternative to those of the merging parties. However Steinhoff does not own or control any Pennypinchers or Timbercity businesses in the greater Pretoria region, where the target firms' retail stores are located. It conducts the businesses of Timbercity Alberton, Timbercity Randburg, and Timbercity Roodepoort.<sup>2</sup> On this narrow definition of the market there would be no geographical overlap in the activities of the merging parties. The merging firms submitted that even if the geographic market were to be more broadly defined as the greater Gauteng area, the transaction would not result in any substantial prevention or lessening of competition because the estimated combined market share of the merging parties would be less than 1% and there are a significant number of credible competitors like Cashbuild, Chamberlains, Build It, Mica, Builders Warehouse and Ferreiras in Gauteng. In our view the proposed transaction will not lead to a substantial prevention or lessening of competition in the horizontal market for the retailing of building supplies, hardware and related products.

### **Vertical analysis**

[20] The vertical integration arises because the Home Centre Timbercity Group purchases board products, including raw and upgraded particle board and MDF, and ancillary hardware from PG Bison annually. This vertical integration does not raise competition concerns because Steinhoff supplies insignificant quantities to the four Home Centre stores and will stand to lose a significant portion of turnover derived from sales to other customers should it embark on a

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<sup>2</sup> Record page 247.

foreclosure strategy. Each of the four Home Centre Stores competes with credible players such as Builders Warehouse, Chamberlains, Mica, Woodcity, City Wood Build It and Cash Build.

[21] In addition, Steinhoff's competitors will still be able to sell their products to other retailers even if they are to be foreclosed from the four Home Centre stores. They can sell their products to numerous other retailers namely Builders Warehouse, Chamberlains, Mica, Woodcity, City Wood Build It and Cash Build. As a result, the vertical integration does not lead to a substantial prevention or lessening of competition.

### **Public Interest**

[22] There are no public interest issues.

### **Conclusion**

[23] The merger is approved unconditionally.

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**Y Carrim**

**Tribunal Member**

D Lewis and N Manoim concurring.

Tribunal Researcher : R Kariga

For the merging parties: Deneys Reitz Attorneys

For the Commission : T Masithulela, M Dorasamy and S Fung (Mergers and Acquisitions)

**11 June 2009**

**DATE**