COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No:15/LM/Feb12
(014019)

In the matter between:

Pepkor Capital (Pty) Ltd	Acquiring Firm
And	
Flash Mobile Cash (Pty) Ltd; **SharedPhone International (Pty) Ltd; and** **Take It Eezi Vending (Pty) Ltd**	Target Firms

Panel	:	Andreas Wessels (Presiding Member) MediMokuena (Tribunal Member) TakalaniMadima (Tribunal Member)
Heard on	:	11 April 2012
Order issued on	:	11 April 2012
Reasons issued on	:	18 April 2012

Reasons for Decision

Approval

1] On 11 April 2012 the Competition Tribunal("Tribunal") unconditionallyapproved the acquisition by Pepkor Capital (Pty) Ltd of Flash Mobile Cash (Pty) Ltd, SharedPhone International (Pty) Ltd and Take It EeziVending (Pty) Ltd. The reasons for approving the proposed transaction follow below.

Parties to transaction

2] The primary acquiring firm is Pepkor Capital (Pty) Ltd ("Pepkor Capital"), a private company incorporated in terms of the company laws of the Republic of South Africa. Pepkor Capital is an indirectly wholly owned subsidiary of Pepkor Holdings Limited. Below we shall collectively refer to Pepkor Holdings Limited and its subsidiaries as "the Pepkor Group".

3] The Pepkor Group operates principally in the retail markets for clothing, footwear and textiles. The retail outlets in the Pepkor stable include Pep, Ackermans, Dunns, John Craig, Shoe City and Pep Clothing. The Pepkor Group is also involved in the financial services and micro lending markets.[1]Through a controlling stake in Future Cell (Pty) Ltd it has recently also begun operating in the cellular business, with primary focus on the wholesale of cellular starter packs (i.e. cellular SIM cards).

4] The primary target firms are(i) Flash Mobile Cash (Pty) Ltd ("Flash Mobile");(ii) SharedPhone International (Pty) Ltd ("SharedPhone"); and (iii) Take It Eezi Vending (Pty) Ltd ("TIE") (collectively referred to hereinafter as "the target firms").The target firms are all private companies incorporated in terms of the company laws of the Republic of South Africa.

5] The combined business model of the target firms is to supply their products to the informal retail sector, mainly being small shops, street vendors and spaza shops (collectively referred to hereinafter as "vendors").

6] TIE's core business is the supply of payphones to vendors. As a value added service TIE allows vendors to sell airtime and electricity to people in their communities using SMS as a means of delivery.Flash Mobile works on the same basis as TIE, however Flash Mobile supplies the vendors with a simple, small printer which links up to the handheld phones.

7] SharedPhone is a hardware supplier of printers and desktop and handheld phones.SharedPhone*inter alia*supplies Flash Mobile and TIE with hardware. It also supplies the Pepkor Group with hardware, which then on-sells the hardware to customers.

Proposed transaction and rationale for transaction

1Tenacity, a financial services company, grants credit to holders of Ackermans and Dunns cards.

8] Pepkor Capital intends to acquire the businesses of the target firms,and their business assets, as going concerns. Post-merger Pepkor Capital will have sole control over the target firms.

9] The Pepkor Group wishes to expand its business operations to serve the informal market and the shareholders of the target firms wish to realise their investment.

Relevant markets and impact on competition

Horizontal analysis

10] The Commission concluded that there is a horizontal overlap in the activities of the merging parties in relation to the supply of handheld and desktop phones to vendors. The post-merger estimated national market share of the merged entity in this market will be below 10%. Therefore, from a horizontal perspective, the proposed transaction is unlikely to lead to a substantial prevention or lessening of competition.

Vertical analysis

11] There is a vertical relationship between the merging parties since SharedPhone supplies the Pepkor Group, Flash Mobile and TIE with hardware (i.e. handheld and desktop telephones, functioning as payphones, and pre-paid airtime and electricity vending terminals consisting of a mobile phone, printer and a vending SIM card).

12] The Commission concluded that the proposed transaction is unlikely to raise foreclosure concerns. The Commission found that post-merger SharedPhone's other customers (i.e. independent distributors) will have the option of sourcing hardware from alternative suppliers such as Blue Label Telecoms, ZTE Corporation, Smart Call and Onecell, or directly from the hardware manufacturers. The Commission further found that post-merger a large proportion of SharedPhone's entire hardware sales will remain with the merged entity for reselling to vendors.

13] In light of the above, we find that the transaction is unlikely to raise vertical competition concerns.

Public interest

14] The merging parties submitted that the proposed transaction will have no adverse effects on employment or terms and conditions of employment.[2] No other public interest issues arise as a result of this

2See pages 15, 53 and 74 of the merger record.

transaction.

CONCLUSION

15] Having regard to the facts above, we find that the proposed merger is unlikely to substantially lessen or prevent competition in any relevant market. Furthermore, the proposed transaction raises nopublic interest concerns. Accordingly, we approve the merger unconditionally.

____________________ 18 April 2012

Andreas Wessels **DATE**

M Mokuena and T Madima concurring

Tribunal researcher: Elizabeth Preston-Whyte

For the merging parties: Irma-DaleneGouws of Werksmans Attorneys

For the Commission: LeratoMonareng and LindiweKhumalo