



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: 69/LM/Jun12
015313

In the matter between:

**Sanlam Private Equity, a division of
Sanlam Life Insurance Limited**

Acquiring firm

And

Weldamax (Pty) Ltd

Target firm

Panel	:	Yasmin Carrim (Presiding Member) Andreas Wessels (Tribunal Member) Andiswa Ndoni (Tribunal Member)
Heard on	:	25 July 2012
Order issued on	:	25 July 2012
Reasons issued on	:	08 August 2012

Reasons for Decision

Approval

[1] On 25 July 2012 the Competition Tribunal ("Tribunal") approved the merger between Sanlam Private Equity (a division of Sanlam Life Insurance Limited) and Weldamax (Pty) Ltd. The reasons for approving the proposed transaction follow below.

Parties to the transaction

- [2] The primary acquiring firm is Sanlam Private Equity ("Sanlam Equity"), a private equity fund which is a division of Sanlam Life Insurance Limited ("Sanlam Life"). Sanlam Life is controlled by Sanlam Limited, a JSE-listed financial services provider. Sanlam Life currently holds a [25% - 30%] interest in Weldamax.
- [3] The primary target firm is Weldamax (Pty) Ltd ("Weldamax"), a private company involved in the provision of welding products such as welding equipment, welding consumables and welding glass. Weldamax is currently controlled by African Infrastructure and Energy ("AIE"), which in turn is controlled by Destiny Corporation Holdings ("Destiny"). Weldamax controls two companies, namely Zenrust (Pty) Ltd and Maxweld and Brazen (Pty) Ltd.

Proposed transaction

- [4] In terms of the proposed transaction, Sanlam Equity will acquire a [50.01% - 55%] interest of the issued ordinary shares in Weldamax from AIE.
- [5] Upon implementation of the transaction, Weldamax will be directly controlled by Sanlam Life as the latter will ultimately hold [80% - 85%] of the share capital of Weldamax.

Rationale for the transaction

- [6] Sanlam Life already holds an interest in both Destiny and Weldamax and as such it sees the transaction as a way to manage and mitigate its risk by buying the shares itself as opposed to a new third party. The merging parties submitted that this transaction presents an opportunity for the Sanlam Life to align their risk exposure with the potential return possibilities, as an acquisition of a bigger equity stake will result in the capital exposure matching return potentials.¹

¹ See page 4 of the transcript.

[7] AIE would like to sell its shares in Weldamax in order to repay a loan advanced from its own holding company Destiny.

Relevant markets and impact on competition

[8] There is no overlap present between the activities of the merging parties at all as they are involved in two very different markets.

[9] The transaction represents a change in control and as such there will not be an accretion in the market. As such, the estimated market shares will remain relatively low.

Public interest

[10] The merging parties confirmed that there will be no adverse effect on employment as a result of the proposed transaction². No other public interest issues arise as a result of this transaction.

CONCLUSION

[11] Having regard to the facts above, we find that the proposed merger is unlikely to substantially lessen or prevent competition in any relevant markets, due to the various competitors and relatively low market shares. Furthermore, the proposed transaction raises no adverse public interest concerns. Accordingly, we approve the proposed merger unconditionally.


YASMIN CARRIM

08 August 2012
DATE

Andreas Wessels and Andiswa Ndoni concurring.

Tribunal Researcher: Nicola Ilgner

For the merging parties: Edward Nathan Sonnenbergs Inc.

For the Commission: Takalani Ramavhoya

² See page 47 of the record.