



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No:98/LM/Oct12

In the matter between:

Sasol Holdings USA (Pty) Ltd

Acquiring Firm

And

Merichem Company

Target Firm

Panel	:	Norman Manoim (Presiding Member) Taki Madima (Tribunal Member) Medi Mokuena (Tribunal Member)
Heard on	:	19 December 2012
Order issued on	:	19 December 2012
Reasons issued on	:	13 February 2013

Reasons for Decision

Approval

[1] On 19 December 2012 the Competition Tribunal ("Tribunal") unconditionally approved the merger between Sasol Holdings USA (Pty) Ltd ("Sasol USA") and Merichem Company ("Merichem"). The reasons for approval follow below.

The Transaction

- [2] The primary acquiring firm is Sasol Holdings (USA) (Pty) Ltd, which has its principal business address at 1 Sturdee Avenue Rosebank, Johannesburg. Sasol USA is ultimately controlled by Sasol Limited ("Sasol"), a public company listed in the Johannesburg Securities Exchange Limited ("JSE") and New York Stock Exchange ("NYSE") that is not controlled by any shareholder.
- [3] Sasol is energy and chemicals group of companies, which add value to coal, oil and gas reserves, using these feedstocks to make liquid fuel, fuel components and chemicals through Sasol's unique proprietary technologies.
- [4] The primary target firm is Merisol Merichem. Company ("Merichem"), which has its principal place of business at 5455 Old Spanish Trail Houston, Texas 77023, USA. Merichem is selling various partnership interests and issued shares that it has in the Merisol Joint venture ("Merisol"), ("transferred firm), to Sasol USA.
- [5] Merisol is a joint venture established in 1997 between Merichem and Sasol. Merisol is involved in the manufacturing, marketing and sale of phenolic products (cresylic acid and phenol products). Phenolic products are organic compounds used as input materials in a wide range of chemical intermediates and finished products including resins, wire enamel solvents and antioxidants.

The Rationale

- [6] The merging parties indicate that, for Sasol, the acquisition of Merisol represents an opportunity for Sasol to purchase the partnership interests and shares in Merisol which it does not already own for commercially reasonable price. In addition, Merisol is currently a purchaser of certain feedstock products from Sasol, which are a by-product of Sasol's synthetic fuels production. Accordingly, the acquisition of Merisol will allow Sasol to secure the future off-take of

these by products, and therefore also secure Sasol's synthetic fuel production.

[7] Merichem wishes to sell its interest in Merisol in order to realise value for the business, as it no longer considers Merisol to be a core part of Merichem's overall business strategy. Merichem is a global technology provider to the refining and petrochemical industries and as such, licenses patented process technologies and supplies proprietary equipment to provide hydrocarbon treating solutions and by-product management services that remove sulphur and other impurities from hydrocarbon liquids and gases in the upstream and downstream energy sectors.

[8] The investment in Merisol is an investment in chemical manufacturing which is not a core business of Merichem. Merichem therefore wishes to divest of its Merisol investment in order to focus on Merichem's core proprietary process licensing business strategies.

The relevant market and the impact on competition

[9] The Commission found that the proposed transaction does not result in horizontal overlap between the activities of the merging parties. However, there is a vertical relationship between the activities of the parties in that currently Sasol supplies Merisol with two feedstock products for the manufacture of phenolic products, namely, low neutral dosage tar acid (LNO-DTA) and tar acid. Sasol is the only supplier of LNTDA and tar acid while Merisol is the only manufacturer of Phenol, HBTA, MP45 and blended cresylic acid in South Africa. There are no regular or sustained purchases by Sasol of any products from Merisol.

[10] The Commission found that there were no vertical foreclosure (input and customer) concerns presented by this transaction since the parties do not have competitors in either the upstream or downstream markets. Furthermore, the Commission found that Sasol was pre-merger unconstrained by Merichem in setting prices. The move from joint control to sole control will therefore make no difference to the pre-

merger pricing. No customer expressed any concerns to the Commission about the merger.

CONCLUSION

[11] There are no significant public interest issues and we accordingly agree with the Commission's approach and approve the transaction without conditions.



N Manoim

13 February 2013
DATE

T Madima and M Mokuena concurring.

Tribunal Researcher: Thabani Ngilande

For the merging parties: Webber Wentzel

For the Commission: Mogau Aphane