



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: 25/LM/May10

In the matter between:

MB Technologies Investments (Pty) Ltd
And

Acquiring Firm

Ingram Micro (Pty) Ltd

Target Firm

Panel : Norman Manoim (Presiding Member)
 : Andreas Wessels (Tribunal Member)
 : Mbuyiseli Madlanga (Tribunal Member)
Heard on : 14/07/2010
Order issued on : 14/07/2010
Reasons issued on : 19/10/2010

Reasons for Decision

Approval

[1] On 14 July 2010 the Competition Tribunal (“Tribunal”) unconditionally approved the merger between MB Technologies Investments (Pty) Ltd (“MBT Investments”) and Ingram Micro (Pty) Ltd (“Ingram Micro”). The reasons follow below.

The Transaction

[2] The primary acquiring firm is MBT Investments which is controlled by MB Technologies (Pty) Ltd; South Africa’s leading black-owned IT distribution group, which holds 97.1% shareholding in MBT Investments. MBT

Investments has in excess of ten subsidiaries, of relevance to this transaction are; Tarsus Technologies (Pty) Ltd (“Tarsus”), through which MBT Investments is active in the wholesale distribution of computer hardware throughout South Africa, and Ingram Micro which is also active in the wholesale distribution of computer hardware in South Africa. The ultimate controlling shareholder of the acquiring group is Royal Bafokeng Holdings (Pty) Ltd (“Royal Bafokeng”) which holds 55% of MB Technologies.

[3] The primary target is Ingram Micro which does not control any firm, and is 50% held by Ingram Micro BV and 50% by MBT Investments.

[4] Essentially, the merging parties are both subsidiaries of the same holding company being, Royal Bafokeng, and together they operate a South African joint venture which deals in the wholesale and distribution of computer equipment; including desktop, laptop and network equipment.

[5] This merger is essentially a move from joint to sole control, in which MBT Investment will acquire the remaining 50% share in Ingram Micro BV, and ultimately have sole control over Ingram Micro.

Rationale

[6] Ingram Micro BV has not been actively involved in the day to day management of Ingram Micro and has thus decided to exit the joint venture by selling its 50% stake to MBT Investments. For MBT Investments the transaction is an opportunity to realise its investment and grow its niche offering in the market for distribution of computer components.

Competition Analysis

Horizontal Analysis

[7] The Commission found that there is horizontal overlap in three markets; i.e. the national market for the wholesale distribution of desktop equipment; the national market for the wholesale distribution of laptop equipment; and the national market for the wholesale distribution of network equipment, in which both merging parties are active.

[8] The Commission acknowledged that the boundaries between desktop and laptop markets are not clear. However customers indicated that as one moves from entry level products to higher end products, the distinction between desktops and laptops becomes more pronounced.

[9] In all these separate identified markets, the market share accretion post merger is too negligible to raise any competition concerns, as it is approximately 1%.¹ In addition there are numerous other competitors remaining in these markets.

[10] The Commission also found that the IT distribution level in the value chain is highly competitive given the wide range of alternatives for customers, which gives them countervailing power.

Barriers to Entry

[11] The Commission in its investigation interviewed various customers and competitors of the merging parties. Most did not raise any concerns about the merger, except one of the competitors; a company called Axiz which raised the issue of access to vendor agencies as a high barrier to entry in the industry. The Commission however found that access to vendor agencies is a structural barrier which has been raised through the natural market process, and not as a result of the merger.

CONCLUSION

[12] Based on the aforementioned competition analysis, the Tribunal concludes that the proposed merger is unlikely to lead to a substantial prevention or lessening of competition in any of the relevant markets. There are no public interest concerns arising from the proposed deal. Hence the proposed transaction is approved unconditionally.

Norman Manoim
Andreas Wessels and Mbuyiseli Madlanga concurring

19/10/2010

DATE

¹ According to the view of the merging parties, in the market for wholesale distribution of desktop equipment Tartus has 12% market share and Ingram Micro has 0.05% market share prior to the merger; in the market for wholesale distribution of laptop equipment, Tartus has 27%, and Ingram Micro has 0.05% market share prior to the merger; and in the market for wholesale distribution of networking equipment Tartus has 11% market share prior to the merger, and Ingram Micro has 1.10% market share.

Tribunal Researcher : Londiwe Senona
For the merging parties : Mr Glen Fullerton from MB Technologies and Mr
Hansie Fourie from Ingram Micro
For the Commission : A Constantinou