

COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: 32/LM/Mar07

In the matter between:

Circle Edu Investments (Pty) Ltd

Acquiring Firm

And

Edu-Loan (Pty) Ltd

Target Firm

Panel : D Lewis (Presiding Member), Y Carrim (Tribunal Member) and M Mokuena (Tribunal Member),
Heard on : 6 June 2007
Decided on : 6 June 2007
Reasons Issued: 29 June 2007

Reasons for Decision

Approval

- 1] On 6 June 2007, the Tribunal unconditionally approved the merger between Circle Edu Investments (Pty) Ltd and Edu-Loan (Pty) Ltd. The reasons for approving the transaction follow.

The parties

- 2] The primary acquiring firm is Circle Edu Investments (Pty) Ltd ('Circle Edu'), a newly incorporated company formed for the purposes of this transaction. In turn, Capital Ventures (Pty) Ltd ('Circle Capital'), a company incorporated under the laws of the Republic of South Africa, owns 51% interest in Circle Edu and the remaining 49% is owned by Standard Bank of South Africa ('SBSA'), a public company incorporated under the laws of the Republic of South Africa.

- 3] SBSA is a subsidiary of the Standard Bank Group Limited ('SBG') a public company listed on the JSE Securities Exchange.
- 4] SBG has several subsidiaries worldwide and in South Africa. Circle Edu does not control any firm.
- 5] The primary target firm is Edu-Loan (Pty) Ltd ('Edu Loan'), a company incorporated under the laws of the Republic of South Africa. The shareholders of Edu-Loan who hold at least 2% of its shareholding are as follows:¹

[5.1]	Standard Bank South Africa (SBSA)	44.98%;
[5.2]	Kopano Investments (Pty) Ltd	21.78%;
[5.3]	Sasfin-MDM Private Equity Fund	9.24%;
[5.4]	Nulane Investments 131 (Pty) Ltd	5.38%;
[5.5]	Sukaren (Pty) Ltd	4.99%;
[5.6]	Edu-Loan Finance (Pty) Ltd	2.82%;
[5.7]	JJ Kitshoff	2.34%;
[5.8]	MS Waserfall Trust	2.15%;

- 6] Edu-Loan controls Winger Technologies (Pty) Ltd ('Winger') and Edu-Loan Namibia (Pty) Ltd ('Edu Loan Namibia'), a Namibian Corporation.

Description of the transaction

- 7] In terms of the transaction, Circle Edu intends to acquire SBSA's entire shareholding in Edu-Loan and thereafter subscribe for additional 10% share in Edu-Loan. This will result in Circle Edu having 50.5% share in Edu-Loan.²
- 8] On completion of the transaction Circle Edu will own 50.5% share in Edu-Loan.

1 The other shareholders include RP Van Wyk (with 1.02% shareholding); HD Steyn (with 0.88% shareholding); B Letshweni (with 0.38% shareholding); HP Steyn (with 0.24% shareholding); DW van Vuuren (with 0.21% shareholding); MJ Herbst (with 0.19% shareholding); and SJ Botha (with 0.05% shareholding).

2 See p 2 of the Joint Competitiveness report.

SBSA will have 49% share in Circle Edu. The balance of 51% share in Circle Edu will be owned by Circle Capital. The parties submitted that SBSA will control Circle Edu due to the funding arrangements they have with Circle Edu.

Rationale for the transaction

- 9] SBSA and Edu-Loan want to establish a relationship with an empowerment partner in the Republic of South Africa for the purpose of establishing a black economic empowerment alliance in the educational finance market.
- 10] Circle Capital intends to play a strategic role in advancing Edu-Loan's position as a funder of affordable educational finance in South Africa as well as the rest of Africa.

The parties' activities

Primary acquiring firm

Circle Edu

- 11] Circle Edu is a vehicle procured to specifically hold shares in Edu-Loan and to procure financing for the proposed transaction.

Circle Capital

- 12] Circle Capital is an investment holding company that acquires and holds investments in several companies. It has investments in the companies that are involved in the leasing offices, health and micro surveillance solutions.

SBSA

- 13] The SBSA offers a complete range of banking, financial, property, insurance products and services. SBSA's activity relevant for the purposes of this transaction is the provision of student loans. SBSA pays the funds directly to students who are then responsible for paying the educational institution.

The primary target firm

Edu-Loan

- 14] Edu-Loan provides educational finance through discounting of student fees with educational institutions, which comprise the financing of education and auxillary education services through persal salary deductions, salary deductions and debit orders. It is a registered micro-lender.
- 15] The parties submit that Edu-Loan was formed to cater for individual students that did not qualify for finance under the National Financial Student Aid Scheme (NFSAS) or any of the banking institutions.
- 16] Winger is an in-house IT development company that services Edu-Loan only. Edu-Loan Namibia is involved in the financing of educational and agricultural loans in Namibia

Competition analysis

- 17] On the face of it, it would appear as if there is an overlap in the activities of the merging parties in that they both provide finance for higher education. However, the SBSA gives loans to higher earning market segments while Edu-Loan will normally give educational finance to students ho do not qualify for funding from SBSA and other banking institutions. There is therefore no overlap in the activities of the merging parties as they target different markets.

Public Interest

- 18] There are no public interest issues.

Conclusion

- 19] The merger is approved unconditionally.

D Lewis
Presiding Member

29 June 2007

DATE

Y Carrim and M Mokuena concur in the judgment of D Lewis

Tribunal Researcher : R Kariga

For the merging parties: J Meijer, Bowman Gilfillan Attorneys.

For the Commission : Not represented at the hearing