

COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: 48/LM/May07

In the matter between:

Newshelf 871 (Pty) Ltd

Primary Acquiring Firm

And

Britehouse Holdings (Pty) Ltd

Primary Target Firm

Panel : D Lewis (Presiding Member), N Manoim (Tribunal Member) and Y Carrim (Tribunal Member)
Heard on : 19 June 2007
Order issued on : 19 June 2007
Reasons issued on : 17 July 2007

Reasons for Decision

Approval

1]On 19 June 2007, the Tribunal conditionally approved the merger between Newshelf 871 (Pty) Ltd and Britehouse Holdings (Pty) Ltd. The reasons follow below.

The Transaction

2]The primary acquiring firm (Newshelf) intends to acquire 60% of the ordinary share capital and 36.9% of the preference share capital in Britehouse from Dimension Data Holdings South Africa (Pty) Ltd (“DDSA”). On completion of the transaction Newshelf will own 60% of the ordinary share capital and 36.9% of the preference share capital in Britehouse and DDSA will own the remaining 40% ordinary shares and 63.1% preference shares in Britehouse. Newshelf and DDSA will have joint control over Britehouse.

3]The merging parties have indicated that the proposed transaction will provide Britehouse with BEE credentials.

The parties and their activities

4]The primary acquiring firm is Newshelf 871 (Pty) Ltd a special purpose vehicle established for the purposes of implementing the proposed merger. The issued share capital of Newshelf will be held as follows:

- Industrial Electronic Investments (Pty) Ltd (“Venfin”) will hold 49.98% of the ordinary shares and 100% of the preference shares in Newshelf. In terms of its shareholding Venfin will have sole control of Newshelf.
- Safika Holdings (Pty) Ltd (“Safika”) will hold 25.01% of the ordinary shares of Newshelf, and
- Convergence Partners Investments (Pty) Ltd (“Convergence”) will hold 25.01% of the ordinary shares of Newshelf.

5]The primary target firm is Britehouse Holdings (Pty) Ltd (“Britehouse”) which was prior to this transaction a wholly owned subsidiary of DDSA. It is an investment holding company which will holds the following assets:

- 75% of the issued share capital in Pebbletree Consulting (Pty) Ltd
- 57.6% of the issued share capital of 3Fifteen Technology Solutions (Pty) Ltd
- 28.07% of the issued share capital of Paracon Holdings Ltd

6]The acquiring group provides tracking systems, cellular telecommunication, ATM and other related IT value added services including copiers, faxes, scanners and similar equipment. The target firm is a supplier of IT consulting and business solution services.

The relevant market and the impact on competition

7]Both merging parties provide Enterprise Application Software (“EAS”). This is IT

software that helps to facilitate the effective management and control of an organization by supporting the major business functions within the organization. Some of the main categories that EAS addresses are Enterprise Resource Planning, Customer Relationship Management and Supply Chain Management.

8]The acquiring firm develops and provides its own EAS solution called Fraxion Advanced Spend Management Suite which allows companies to control, manage and analyse their spending behaviour in real time. It deals only with spend management. It also provides the software support and installation for its product.

9]The target firm does not develop its own EAS product but sells already existing EAS packages as supplied by SAP and Microsoft in providing complete business solutions for companies.

10]The difference between those services provided by the acquiring party and those of the target is that the acquiring party's EAS application focuses on spend management only while the target firm provides a complete EAS business solution to its clients by making use of existing SAP and Microsoft applications. We were advised at the hearing that because of their functional differences, the products are complementary not competitive.

11]In light of the above we agree with the Commission that there is no overlap between the activities of the merging parties. The transaction would therefore not substantially prevent or lessen competition the relevant markets.

Public interest issues

12]The transaction raises no significant public interest issues.

N Manoim

17 July 2007
Date

D Lewis and Y Carrim concurring.

Tribunal Researcher: R Badenhorst

For the merging parties: Paul Cleland of Routledge Modise

For the Commission: Marlon Dasarath and Makgale Mohlala