

In the larger merger between:

Rapid Dawn 271 (Proprietary) Limited

and

**Moresport (Proprietary) Limited
Peter Taylors Sports (Proprietary) Limited**

Reasons for decision

Approval

1. On 29 October 2003 we issued a Merger Clearance Certificate approving unconditionally the merger between the abovementioned parties. Our reasons for the decision follow.

The merger transaction

2. This transaction constitutes a management buy-out in terms of which the management of Moresport ("**management**")¹, including certain directors of Vestacor², would obtain 40% shareholding in Rapid Dawn. Nedcor Investments Limited and Vestacor Limited, both being investment holding companies, would hold the remaining shareholding in Rapid Dawn equally, i.e., 30% each. Prior to the proposed merger, Vestacor Limited controlled 100% of the issued share capital of Moresport. Rapid Dawn will, as envisaged in the merger agreement, acquire the entire business of Moresport including all the assets, certain liabilities, and shares held by Moresport in its subsidiaries³.

3. Upon conclusion of the transaction, ownership and control of the business conducted by Moresport will vest in Rapid Dawn. In addition, Rapid Dawn will hold the entire issued share capital of Peter Taylor. Vestacor, Nedcor Investments and the management will, in terms of a written shareholders agreement, jointly control the primary acquiring firm.

¹ Gerald Rubenstein, Kevin Hodgson, Roy Annsell and Elizabeth Haarbarger (collectively referred to as "management") would each hold 11%, 16%, 4% and 9% respectively.

² The parties indicated the shareholding in Vestacor as follows: 49,33% by Corpcapital Investments (Pty) Ltd, a wholly owned subsidiary of Corpcapital Limited; 49,33% by a consortium; and the remaining 1,34% by members of the public.

³ It appears that the primary acquiring firm intends acquiring, firstly, the business of Moresport including the assets, and certain liabilities as a going concern. Secondly, the shares in and claims on loan account against Peter Taylor, Moresport Namibia (Pty) Ltd and Moresport Swaziland (Pty) Ltd.

Rationale for the transaction

4. The rationale for the transaction, according to the parties, is to enable the existing management of the primary target firms to acquire a shareholding in the primary target firm. The transaction will result in the management holding collectively 40% of the issued share capital in the primary acquiring firm.

The activities of the parties

5. **Rapid Dawn** is a dormant company specifically created for the purposes of the instant transaction. It has no business activities in which it is active.

6. **Moresport**, a wholly owned subsidiary of Vestacor Limited, controls the following private companies, namely Peter Taylors Sports, Moresport Namibia, Moresport Swaziland⁴, and Cistus Investments (“Cistus”)⁵. Cistus is active in providing exclusive internet services to Moresport.

7. Moresport is an exclusive sports retailer, which only sells sports related products. It owns four separately managed sports retail chains each of which is focused on a particular niche in the sports retail environment *whilst Peter Taylor* is a dormant company which has not traded as yet.

8. As indicated earlier, both Vestacor and Nedcor Investments are investment holding companies. On the one hand, **Vestacor** controls firms involved in the music, advertising, communication and the property industries. It only controls Vestacor Holdings Limited, which in turn controls the following firms: Retail Africa (100%), Look & Listen (100%), and Vestacor Technology Investments.

9. On the other hand, **Nedcor Investments** is an investment holding company for all investments made by the private equity division of Nedbank Corporate, which in turn is a division of Nedbank Limited. Apart from the proposed shareholding in the acquiring firm, Vestacor and Nedcor Investments do not have direct or indirect control over any firms in the sports retail or related industries. According to the parties, Nedcor Investments, Nedbank Limited and Nedcor Limited do not control any sports footwear, apparel and equipment retail businesses in South Africa. Neither does the management of Vestacor control any firms in the sports retail or related industries in South Africa.

10. The parties submitted that Moresport’s products are distributed through four branded chain stores, which are Sportsmans Warehouse, The Pro Shop, Outdoor warehouse, and Sportshoe World. These four business entities are individually involved in the following activities. *Sportsmans Warehouse* sells all sports related footwear, apparel, and equipment with *Pro Shop* selling all golfing related footwear, apparel and equipment. *Outdoor Warehouse* sells all fishing and camping related footwear, apparel and equipment *whilst Sportshoe World* sells all sports related footwear.

⁴ Moresport Namibia and Moresport Swaziland are registered in Namibia and Swaziland respectively.

⁵ The parties indicated that Vestacor holds 66% shareholding in Cistus.

11. It appears from the above that the activities of Rapid Dawn or its shareholders and Moresport do not overlap with each other.

Competition evaluation of this transaction

12. Both the Commission and the merging parties identified the relevant market as the sports related footwear, apparel and equipment retail market, which they aver to be a highly competitive industry with a number of players in this industry and with no history of collusion. The parties submitted that no market overlap exists between the primary acquiring firm and the primary target firms as the former is dormant and has as yet not traded. No vertical issues arise as a result of this transaction.

Public interest considerations

13. The transaction will have no effect on public interest.

Conclusion

14. We accordingly approve this transaction without any conditions.

D. Lewis

13 November 2003
DATE

Concurring: N. Manoim, P. Maponya

For the merging parties:	Mr Craig Roelofs & Mr P.J Botha, Fluxmans Inc.
For the Commission:	Mr M van Hooven, Mergers and Acquisitions Division, Competition Commission