

COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: 61/LM/Jun07

In the matter between:

Platoon Trade and Invest 136 (Pty) Ltd

Acquiring Firm

And

PG Bison Components (Pty) Ltd

Target Firm

Panel : D Lewis (Presiding Member), N Manoim (Tribunal Member), L
Reyburn (Tribunal Member)

Heard on : 1 August 2007

Order issued on: 1 August 2007

Reasons Issued: 9 November 2007

Reasons for Decision

Approval

- 1] On 1 August 2007, the Tribunal unconditionally approved the merger between Platoon Trade Invest 136 (Pty) Ltd and PG Bison Components (Pty) Ltd. The reasons for approving the transaction follow.

The parties

- 2] The primary acquiring firm is Platoon Trade and Invest 136 (Pty) Ltd ("Platoon"), a private company incorporated in terms of the company laws of the Republic of South Africa. Platoon is a company wholly owned by ABSA Capital ("ABSA Capital", a division of ABSA Bank Limited ("ABSA Bank"). ABSA Bank is controlled by ABSA Group Limited ("ABSA Group"). ABSA Group is a public company listed on the JSE Securities Exchange. The main shareholders of ABSA Group are Barclays plc (with a 56.6% shareholding), Old Mutual Asset Managers (with a 5.4% shareholding), Allan Gray Limited (with a

4.5% shareholding), Investec Asset Management (Pty) Ltd (with a 4.2% shareholding) and Public Investment Corporation Limited (with a 4.0%). ABSA Group exercises control over several subsidiaries.¹

- 3] After the implementation of the transaction, shares in Platoon will be held by ABSA Capital (with a 49% shareholding), Management/Manco² (with a 30% shareholding), and a nominee company for a BEE partner to be identified (with a 21% shareholding). ABSA, Manco, and the nominee company are collectively referred to as the “AC Consortium”.
- 4] Platoon is a newly incorporated company that has not previously traded and as a result, does not control any firm.
- 5] The primary target firm is PG Bison Components (Pty) Ltd (“PG Bison”), a private company incorporated in terms of the laws of the Republic of South Africa. PG Bison is ultimately controlled by Steinhoff Africa Holdings (Pty) Ltd (“Steinhoff”),³ which is a subsidiary of Steinhoff International Holdings Limited (“Steinhoff International”). Steinhoff International is a public company listed on the JSE Securities Exchange. No single shareholder controls Steinhoff International. The shareholders of Steinhoff International who hold at least 5% are RMB Asset Management and funds administered by them (with a 12.7% shareholding), BS Beteiligungs und Verwaltungs GmbH (with a 9.3% shareholding), Fidelity International Limited (US, LU, UK, and CA) (with an 8.75% shareholding), Investec Asset Management (with a 7.75% shareholding), and Stanlib Limited (with a 5% shareholding).
- 6] PG Bison does not control any firm.

Description of the transaction

- 7] The transaction is effected through a number of steps which can be

1 ABSA Group’s subsidiaries include ABSA Consultants and Actuaries (Pty) Ltd, ABSA Trust Limited, ABSA Healthcare Consultants (Pty) Ltd, ABSA Stockbrokers Consultants (Pty) Ltd, ABSA Portfolio Managers (Pty) Ltd, ABSA Fund Managers Limited, and ABSA Mortgage Fund Managers (Pty) Ltd. The rest of ABSA’s subsidiaries are listed on p8-9 of the shareholders’ report for ABSA Group attached as Schedule 3.1.

2 Now called Nebaverst 11 (Pty) Ltd.

3 PG Bison is controlled by PG Bison Limited which is controlled by PG Bison Holdings (Pty) Ltd which is in turn, controlled by Steinhoff Africa Holdings (Pty) Ltd.

summarised as follows:

- [7.1] As part of this transaction, the furniture business, the import business (including the bedding and furniture manufacturing divisions) will be transferred into PG Bison. In addition, Bekker and Steyger (Pty) Ltd (“Bekker and Steyger”) and Roadway Logistics Retail (Pty) Ltd (“Roadway Logistics”) – (collectively referred to as the Steinfurn subsidiaries) will be transferred into PG Bison.
- [7.2] Platoon will purchase the furniture business, import business, the Steinfurn subsidiaries and the Property Rental Business from PG Bison.
- [7.3] At the completion of this transaction, Platoon will be controlled by the AC Consortium and Platoon shall house the furniture business, import business, the Steinfurn subsidiaries and the Property Rental Business purchased from PG Bison, a subsidiary of Steinhoff.

Rationale for the transaction

- 8] For the primary acquiring group, the merger presents certain strategic initiatives that can be implemented through Platoon, including BEE transactions that can significantly improve the furniture business, the import business and the roadway logistics business.
- 9] The shareholders of the primary target firm submitted that their strategy is to diversify into other markets as it will improve their operational level and helps them to introduce a number of initiatives to improve profitability.

The parties' activities

Primary acquiring firm

- 10] The primary acquiring group is actively involved in the provision of merchant banking, corporate banking and treasury products to the corporate market.

The primary target firm

- 11] The primary target group is involved in the following business activities through different divisions:

- [11.1] Manufacturing of furniture brands including: Gommagomma, Grafton Everest,

Alpine Lounge, High Point, Steinhoff Bedding, Milano Décor, Victoria Lewis, among others;

[11.2] Furniture Logistics division which is deals with roadway logistics and regional distribution centre;

[11.3] The import sub-division which imports lounge furniture, bedroom and dining room suits to supplement the locally manufactured ranges.

Competition analysis

12] There is no horizontal overlap in the products of the parties and there is no vertical integration resulting from this transaction.

13] The Commission was concerned that Steinhoff may be able to control Manco whether directly or indirectly since it is providing funding for Manco to participate in this transaction. This funding is being provided through the subscription for redeemable preference shares in Manco by Steinhoff. The parties submitted that Steinhoff does not in any way control Manco and that the funding is at arm's length and will be on commercial terms.⁴ The parties further stated that neither the funding nor the preference shares terms will enable Steinhoff to control Manco's 30% shareholding in Platoon.⁵ In light of these submissions, we did not consider the effects on competition should Steinhoff exercise control of Manco's 30% shareholding in Platoon.

14] The proposed transaction is related to the *Steinhoff/BCM*⁶ transaction involving Steinhoff and BCM Holdings (Pty) Ltd, International Wire Converters (Pty) Ltd and Buffalo Freight Systems (Pty) Ltd. The *Steinhoff/BCM* transaction was approved subject to the condition that this transaction is implemented. This stems from the fact that the competition concerns that may have been raised by the *Steinhoff/BCM* transaction have been removed by the current transaction since Steinhoff is selling its furniture business, including the bedding manufacturing business.

4 See record page 520

5 See record page 522.

6 Tribunal Case number 35/LM/Apr07.

Public Interest

15] There are no public interest issues.

Conclusion

16] The merger is approved unconditionally.

N Manoim

Tribunal Member

9 November 2007

DATE

U Bhoola and M Mokuena concur in the judgment of N Manoim

Tribunal Researcher : R Kariga

For the merging parties: Roodt Incorporated

For the Commission : G Mudzanani and HB Senekal (Mergers and Acquisitions)