COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: 70/LM/Nov10

In the matter between:

Media24 Limited	**Acquiring Firm**
And	
New Media Publishing (Pty) Ltd	**Target Firm**

Panel	:	Y Carrim (Presiding Member) A Wessels (Tribunal Member) M Mokuena (Tribunal Member)
Heard on	:	26/01/2011
Order issued on	:	26/01/2011
Reasons issued on	:	02/03/2011

Reasons for Decision

Approval

[1] On 26 January 2011 the Competition Tribunal ("Tribunal") unconditionally approved the proposed transaction involving Media24 Limited and New Media Publishing (Pty) Ltd. The reasons for approval of the proposed transaction follow below.

Parties to transaction

[2] The primary acquiring firm is Media24 Limited ("Media24"). Media24 is controlled by Media24 Holdings (Pty) Ltd which is in turn controlled by Naspers Limited ("Naspers"), a multinational media group listed on the Johannesburg Securities Exchange and the London Stock exchange.

[3] Media24 operates as a printer, publisher and distributor of various forms of media either solely or through joint ventures with other parties.

[4] The primary target firm is New Media Publishing (Pty) Ltd ("NMP"). NMP is jointly controlled by Media24, which owns 50% of the issued share capital of NMP, and the following shareholders: Dirkje Johanna van Zyl (16.67%); John Theodoros Psillos (16.67%); Naomi Herselman (10%); Bridget Ann McCarney (3%); and the NMP Share Incentive Trust (3.67%). NMP does not control any other firms.

[5] NMP operates mainly as a contract publishing business. It develops and publishes items such as industry specific publications, in-house publications, e-newsletters and corporate websites. NMP also publishes its own consumer magazine titles, namely "*Eat In"; "Eat Out";* "*Time Out Visitor's Guide*", "*Time Out Western Cape Breaks";* and "*Time Out Guide*". These are all annual publications containing vendor listings and/or travel information. NMP also provides an events planning and co-ordination service to its clients.

Proposed transaction

[6] The proposed transaction essentially results in a move from current joint to post merger sole control of the target business. As stated in paragraph [4] above, Media24 pre-merger already holds 50% of the issued share capital of NMP, and in terms of the Sale of Shares Agreement it intends to acquire an additional 8% of the total issued share capital of NMP from one current shareholder, Naomi Herselman.[1] Post merger Media24 will hold 58% of the total issued share capital of NMP and have sole control over NMP.

Rationale for proposed transaction

[7] Media24's rationale for this transaction is the expansion and growth of its contract publishing business. Naomi Herselman, who is approaching retirement, is selling 8% of her shares in NMP to partly liquidate her investment.

COMPETITION ASSESSMENT

Horizontal analysis

[8] There is a horizontal overlap between the activities of the merging parties in two areas: (i) the provision of contract publishing services; and (ii) broadly in the publication of consumer magazines. The Competition Commission ("Commission") assessed the transaction on this basis from a supply-side and national geographic

[1] Naomi Herselman will post merger hold 2% of the shares in NMP.

market perspective. However, the precise market delineation can be left open in this case since our conclusion remains the same regardless of any alternative approach to market definition.

Provision of contract publishing services

[9] In relation to contract publishing for third parties the merging parties will have a post merger market share of less than 30%. Competitors in this market include Highbury Safika Monarch, The Publishing Partnership, Quantum, John Brown Publishing and Uhuru Publishing. Furthermore, the Commission interviewed customers of the merging parties in this market and they indicated that the proposed transaction will not have any negative impact on their businesses as a sufficient number of players will post merger continue to compete with the merged entity.

Publication of consumer magazines

[10] In a broad market for the publication of consumer magazines, the merged entity will have a post merger market share of less than 40% with a market share accretion as a result of the proposed deal of less than 1%. Competitors of the merging parties in this market include Associated Magazines, Avusa, Caxton and Ramsay Media.

[11] According to the merging parties' submissions there is no horizontal overlap between their activities in this broad market since NMP's magazines are highly differentiated in terms of *inter alia* periodicity (frequency of publishing), style, content, price, class of advertiser and target market. The parties submit that none of the own title magazines published by NMP (see paragraph [5] above) is reasonably interchangeable with, or a substitute for, any of the magazines published by Media24.[2] No evidence exists of close competition between the merging parties in this market.

[12] Furthermore, even if one were to separately consider different categories of magazines published, for example entertainment, home and travel magazines, there remains a sufficient number of competitors in each of the potential relevant market segments post merger to alleviate likely competition concerns.

[13] Lastly, customers raised no concerns in regard to this transaction's effect on the market for the publication of consumer magazines.

[2] See *inter alia* page 70 of the record.

Vertical analysis

[14] There is a vertical relationship between the merging parties since Naspers supplies both (upstream) printing and (downstream) distribution services to NMP. NMP also contract publishes a consumer magazine (VISI) on behalf of Media24, and contract publishes two digital communication publications (ED and Page) for Media24. In addition NMP contract publishes a number of custom publications for Multichoice, a subsidiary of Naspers.

[15] The Commission found that for all these vertical relationships any type of foreclosure as a result of the proposed transaction is unlikely – customer foreclosure is unlikely since Media24 currently supplies NMP with the majority of its printing and distribution requirements[3] – and input foreclosure is unlikely given the credible alternative competitors which post merger exist both in the printing market as well in the contract publishing market. We agree with the Commission's conclusion.

PUBLIC INTEREST

[16] The merging parties confirmed that there will not be any retrenchments as a result of the proposed merger.[4] No other public interest issues arise from the proposed transaction.

CONCLUSION

[1] Based on the above we conclude that it is unlikely that the proposed merger would lead to a substantial prevention or lessening of competition in any relevant market. Furthermore, no public interest concerns arise from this deal. Accordingly the proposed transaction is approved unconditionally.

____________________ **02/03/2011**

A Wessels DATE

Y Carrim and M Mokuena concurring

Tribunal Researcher:	Londiwe Senona
For the merging parties:	Werksmans Attorneys
For the Commission:	Thabelo Ravhungoni

[3] Subsidiaries of Media24 render most of the printing services required by NMP, see *inter alia* page 87 of the record.

[4] See *inter alia* pages 57 and 108 of the record.