

**COMPETITION TRIBUNAL
REPUBLIC OF SOUTH AFRICA**

Case No: 73/LM/Oct02

In the large merger between:

Datatec Limited

and

Affinity Logic Holdings (Pty) Ltd

Reasons for Decision

APPROVAL

On 4 December 2002 the Competition Tribunal issued a Merger Clearance Certificate approving the merger between Datatec Limited and Affinity Logic Holdings (Pty) Ltd in terms of section 16(2)(a). The reasons for the approval of the merger appear below.

The Parties

1. The acquiring firm is Datatec Limited ("Datatec"), a JSE listed company. It is an international networking and IT services company with activities in North and South America, Africa, Asia and Europe. More than 96% of the revenue of Datatec is generated outside of South Africa.
2. Its subsidiaries are Westcon, Logical, Mason, Westcon AME, Affinity Logic (ALH) and RangeGate. Only Westcon AME, RangeGate and ALH have operations in South Africa.
3. The target firm is Affinity Logic Holdings (Pty) ("ALH"). The shareholding of ALH is set out in the diagram below.¹

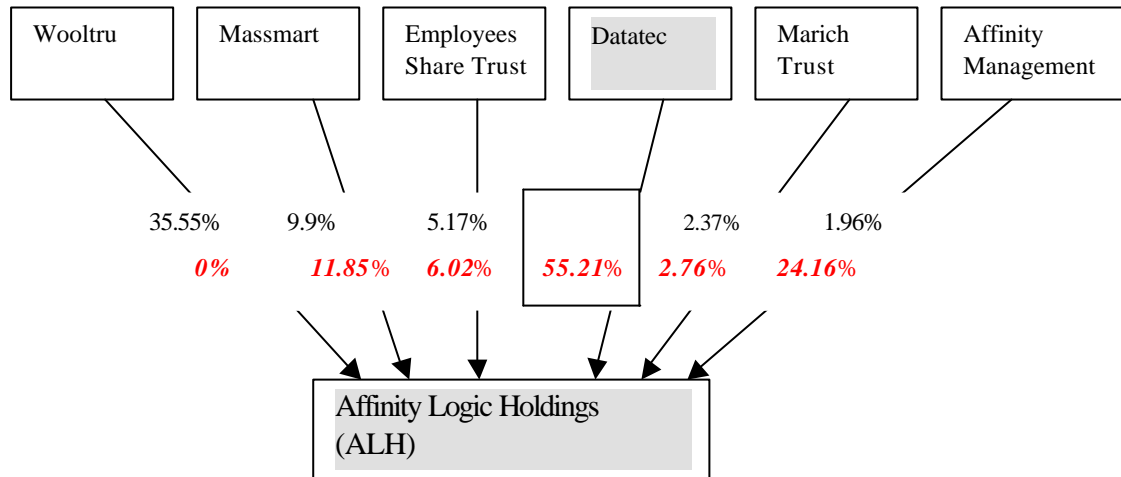
The Merger Transaction

4. The transaction comprises a disposal of a 7.79% interest in ALH by Wooltru, the leading retail and wholesale group, to Datatec which will increase Datatec's shareholding in ALH from 47.5% to 55.21%, thus giving it a majority shareholding in the company. This transaction occurs as a result of the disposal by Wooltru of its shares in ALH to the other

¹ AHL controls Affinity Logic Management Services (Pty) Ltd, Affinity Logic (Pty) Ltd, Destiny Electronic Commerce (Pty) Ltd, Quickcut Pre Press Network, Instant Xposure (Pty) Ltd.

shareholders of AHL, as part of Wooltru's unbundling. Wooltru is disposing of its stake because ALH is a non-core part of its business. The pre and post merger shareholdings are reflected below:

Pre-merger and *Post-merger* shareholdings in Affinity:-



The Relevant Market

6. Datatec's core activity is networking and integrating of IT systems. The extent of these activities are distributed amongst its various subsidiaries:

❖ **Westcon**

Datatec has a 92.5% shareholding in Westcon. This is a global distributor of advanced networking and connectivity products and services, such as video-conferencing, virtual private networks, e-business, wireless connectivity, network security and convergence technology products.

❖ **Logical**

A wholly owned subsidiary, Logical is an international professional services and IT network integration company. It provides expertise in next-generation technologies, such as IP telephony.

❖ **Mason**

Datatec has a 75% shareholding in this company, which is a strategic telecommunications consultancy.

❖ **Westcon AME (Africa Middle East) (operates in South Africa)**

Distributor of networking equipment, cabling products and security data and voice communications products. It distributes products to resellers of networking technology in the security, wireless and voice-over-IP markets.

❖ **RangeGate (operates in South Africa)**

RangeGate is 76% owned by Datatec. A pioneer of mobile computing, it is a mobile technology system integration company which sells mobile solutions into specific market sectors such as retail, manufacturing, transport and logistics.

7. ALH's business activities are focused in the retail and consumer goods industries and involve providing outsourced services for the delivery of IT infrastructure and application solutions to retail and consumer goods sector. This includes networks, desktop support, network design and implementation consulting. It provides services to major clients such as Dimension Data, Makro and Lever Ponds.
8. The Commission did not identify a product or geographical overlap. The parties referred to the relevant market as that for the supply of electronic value added trading systems and rendering of IT services. However, this is probably only the affected market, insofar as there is no product overlap.

Impact on competition

9. This transaction involves an increase of shareholding by Datatec in ALH. Its acquisition of additional shares means that it will now control the company. There is no product overlap in respect of the Datatec subsidiaries carrying on business in South Africa and ALH. Westcon AME and ALH are distinguished insofar as the former distribute networking equipment and security products to resellers, whereas the latter provides outsourced services to end-users. ALH does not supply goods or services to the Datatec group or vice versa. There are therefore no horizontal or vertical overlaps as far as the South African businesses are concerned.

Conclusion

We conclude that the merger will not lead to a substantial lessening of competition. The Tribunal therefore approves the transaction unconditionally. There are no public interest concerns which would alter this conclusion.

N. Manoim

9 December 2002

Date

Concurring: D.Lewis, U. Bhoola

For the merging parties:	Edward Nathan Friedland Attorneys
For the Commission:	M. Sebothoma, I. Dhladhla, Competition Commission