



## COMPETITION TRIBUNAL OF SOUTH AFRICA

**Case No: LM042Jun15**

In the matter between:

**Iridescent Investments Proprietary Limited**

**Primary Acquiring Firm**

and

**Servest Group Proprietary Limited**

**Primary Target Firm**

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Panel : Norman Manoim (Presiding Member)  
: Yasmin Carrim (Tribunal Member)  
: Andiswa Ndoni (Tribunal Member)  
Heard on : 8 July 2015  
Order Issued on : 8 July 2015  
Reasons Issued on : 27 July 2015

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### **Reasons for Decision (Public Version)**

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#### **Approval**

- [1] On 8 July 2015, the Competition Tribunal ("Tribunal") unconditionally approved the merger between Iridescent Investments Proprietary Limited ("BidCo") and Servest Group Proprietary Limited ("Servest Group")
- [2] The reasons for approving the proposed transaction follow.

## **Parties to transaction**

### *Primary acquiring firm*

- [3] The primary acquiring firm BidCo is a firm incorporated in South Africa. It is a wholly owned subsidiary of Kagiso Tiso Holdings Proprietary Limited (“KTH”).
- [4] KTH is a black controlled and managed investment company comprising of listed and private investments. KTH’s investment portfolio includes a diverse range of sectors including media, property, pharmaceuticals and infrastructure. Relevant to this transaction is KTH’s control of Eris Property Group (“Eris”) which is a property services company providing a range of commercial property skills including property management which requires Eris to outsource certain facilities management services.

### *Primary target firm*

- [5] The primary target firm is the Servest Group which controls Servest Proprietary Limited which in turn controls a number of property and subsidiary companies, dormant companies and foreign African subsidiaries.
- [6] The Servest Group is a multi-service solutions group focussed on providing facilities management services in the following categories: cleaning, hygiene, security, parking management, landscaping and turf maintenance, marine services and office services and facilities management.

## **Proposed transaction and rationale**

- [7] The proposed transaction involved BidCo acquiring 49% of the issued shares in Servest Group which would result in BidCo being able to materially influence the policy of the target group.<sup>1</sup>

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<sup>1</sup>[

- [8] KTH submits that as a black controlled and managed investment holding company the proposed transaction is an attractive investment opportunity due to certain factors present within the Servest Group. For the Servest Group the proposed transaction would allow for additional BEE ownership and result in it being the first majority black owned multi-services provider in South Africa.

### **Impact on competition**

- [9] The Competition Commission (“the Commission”) found a vertical overlap in respect to the provision of property management services provided by KTH through Eris and the provision of facilities management services provided by the Servest Group.
- [10] The Commission in analysing whether the transaction resulted in input foreclosure or customer foreclosure found that the proposed transaction would be unlikely to result in either.
- [11] In its analysis of the possibility of input foreclosure, the Commission considered whether the transaction would result in the Servest Group being able to exercise market power in the upstream market for the provision of facilities management services to the detriment of its customers. The Commission found that Servest Group’s small market share of 8.5% as well as the prevalence of alternatives in the market would continue to constrain the Servest Group post-merger. As a result the Commission found that the proposed transaction was unlikely to raise input foreclosure concerns.
- [12] The Commission evaluated whether the merged entity would have the ability to foreclose its competitors in the upstream market for the provision of facilities management services from accessing a sufficient customer base in the downstream market for the provision of property management services. The Commission found several firms in the downstream market that would continue to procure facilities management services from the Servest Group’s upstream competitors. The Commission further found that Eris does not enjoy market power in the downstream market as it would only have 0.2% market share in the market if it were included.<sup>2</sup> As a result the Commission found that the proposed transaction is unlikely to raise customer foreclosure concerns.

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<sup>2</sup> Market share as calculated by the merging parties *Inter alia* Page 40 of the Record

[13] Based on the above analysis the Commission concluded that the proposed transaction would be unlikely to lead to a substantial prevention or lessening of competition in any market.

[14] We concur with the Commission's competition assessment, i.e. that the proposed transaction is unlikely to substantially prevent or lessen competition in any relevant market. We further agree that it is unlikely that the proposed transaction would result in either customer or input foreclosure.

#### **Public interest**

[15] The merging parties confirmed that the proposed transaction will not result in an adverse impact on employment.<sup>3</sup> The proposed transaction further raises no other public interest concerns.

#### **Conclusion**

[16] In light of the above, we conclude that the proposed transaction is unlikely to substantially prevent or lessen competition in any relevant market. In addition, no public interest issues arise from the proposed transaction. Accordingly, we approve the proposed transaction unconditionally.

  
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**Norman Manoim**

27 July 2015  
**DATE**

**Yasmin Carrim and Andiswa Ndoni concurring**

Tribunal Researcher: Aneesa Ravat

For the merging parties: Chris Charter and Naasha Loopoo of Cliffe Dekker  
Hofmyer Inc

For the Commission: Seema Nunkoo, Xolela Nokele and Reabetswe Molotsi

<sup>3</sup> *Inter alia* merger record page 10.