



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: LM019May16

In the matter between:

EOH Intelligent Infrastructure Proprietary limited

Primary Acquiring Firm

and

JOAT Sales and Services Proprietary Limited

JOAT Consulting Proprietary Limited

JOAT Sales and Services EC Proprietary Limited

JOAT Sales and Services GP Proprietary Limited

Primary Target Firms

Panel : Norman Manoim (Presiding Member)
: Andreas Wessels (Tribunal Member)
: Mondo Mazwai (Tribunal Member)
Heard on : 1 June 2016
Order Issued on : 1 June 2016
Reasons Issued on : 14 June 2016

Reasons for Decision

Approval

[1] On 1 June 2016, the Competition Tribunal ("Tribunal") unconditionally approved the merger between EOH Intelligent Infrastructure Proprietary limited ("EOH") and the target firms; JOAT Sales and Services Proprietary Limited, JOAT Consulting Proprietary Limited, JOAT Sales and Services EC Proprietary

Limited, JOAT Sales and Services GP Proprietary Limited (hereinafter referred to as the “target firms”).

[2] The reasons for approving the proposed transaction follow.

Parties to transaction

Primary acquiring firm

[3] The primary acquiring firm EOH is wholly controlled by EOH Holdings Limited. EOH implements enterprise applications and has a wide range of outsourcing, cloud and managed services which it offers to customers within South Africa and abroad. Relevant to this transaction are the products and services EOH offers to the water industry. The services offered include consulting engineering services relating to roads and drainage planning, water quality planning and monitoring, design services relating to water distribution and sewer reticulation systems, and the construction of water and wastewater treatment plans.

Primary target firm

[4] The primary target firms are not part of a group structure despite the similarity of their names but have two common shareholders in each company. The target firms provide a variety of products and consulting services to enable their customers to deal with the problem of waste water due to leaks or other reasons. This is referred to in the industry parlance as non-revenue water as the customer is unable to recover the costs of provision of this waste water. The products provided include measurement devices, valves, instrumentation and control technology. The services include leak detection, the repair and restoration of pipes and the provision of analytical reports.

Proposed transaction and rationale

[5] The proposed transaction involves EOH acquiring 100% of the issued share capital in the target firms, the transaction itself was noted to be indivisible due to the common shareholding in each firm.

[6] EOH has submitted that the proposed transaction is a solid business investment as it would provide it with additional product and service offerings to add to its existing portfolio. The target firms see the proposed transaction as a way to recoup their investment as well as allow JOAT and its employee's better growth opportunities by aligning itself with a listed company.

Impact on competition

[7] The Competition Commission ("the Commission") has found that there is no horizontal overlap between the merging parties. It concluded that the services offered by the target and acquiring firms are distinct and not substitutable. The merging parties confirmed this at the hearing. The main issue for the Commission was whether the merger could lead to a bundling strategy given the complementary nature of the services. Following on enquiries, mostly with local authorities and public utilities, which form the customer base, the Commission concluded that bundling was unlikely as the customers tender for these services and do so separately.

[8] 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 as there is no overlap present.

Public interest

[9] The merging parties confirmed that the proposed transaction will not result in an adverse impact on employment.¹ The proposed transaction further raises no other public interest concerns.

Conclusion

[10] 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 transactions. Accordingly, we approve the proposed transaction unconditionally



Mr Norman Manoim

14 June 2016
DATE

Mr Andreas Wessels and Ms Mondo Mazwai concurring

Tribunal Researcher: Aneesa Ravat
For the merging parties: Michael Baxter of EOH Limited
For the Commission: Relebohile Thabane and Kholiswa Mnisi

¹ *Inter alia* merger record page 7.