



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: LM092Aug15

In the matter between:

**DIMENSION DATA MIDDLE EAST AND
AFRICA (PTY) LTD**

Primary Acquiring Firm

And

BRITEHOUSE HOLDINGS (PTY) LTD

Primary Target Firm

Panel : Norman Manoim (Presiding Member)
: Andreas Wessels (Tribunal Member)
: Medi Mokuena (Tribunal Member)
Heard on : 26 August 2015
Order Issued on : 26 August 2015
Reasons Issued on : 9 September 2015

Reasons for Decision

Approval

- [1] On 26 August 2015, The Competition Tribunal ("**Tribunal**") conditionally approved the acquisition by Dimension Data Middle East and Africa (Pty) Ltd ("**DiData MEA**") of the entire issued share capital in Britehouse Holdings (Pty) Ltd ("**Britehouse**").
- [2] The reasons for approving the proposed transaction follow.

Parties to the transaction

Acquiring firm

- [3] The primary acquiring firm is DiData MEA, a holding company largely owned and wholly controlled by Dimension Data Holdings Plc, which in turn is wholly controlled by Nippon Telegraph and Telephone Corporation, a firm incorporated in Japan.
- [4] DiData MEA is an IT service provider that offers IT solutions to clients in SA, across Africa and the Middle-East. Relevant for the proposed transaction is DiData MEA's service of Enterprise Resource Planning ("**ERP**"), this involves consulting services, professional services, managed services and cloud services. Also relevant is DiData MEA Microsoft services which involve technologies such as SQL, database, net SharePoint, dynamics customer relationship management and business intelligence.

Target firm

- [5] The target firm is Britehouse, a company jointly controlled by DiData SA Holdings (40%) and Newshelf 871 ("**Newshelf SPV**") (60%). DiData SA Holdings is also wholly controlled by Dimension Data Holdings Plc. Newshelf SPV is jointly controlled by Industrial Electronic Investments (Pty) Ltd (49.98%) and the remaining shareholding is held by Remgro Limited ("**Remgro**"), Convergence Partners (Pty) Ltd ("**Convergence**") (25.01%) and Hampden Olimpico (Pty) Ltd ("**Hampden**") (25.01%). Newshelf SPV does not control any firm apart from Britehouse.
- [6] Britehouse controls the following subsidiaries:
- Britehouse SSD (Pty) Ltd
 - Britehouse BPM (Pty) Ltd
 - Britehouse Telematics (Pty) Ltd
- [7] Britehouse is a specialist software service provider of ERP software, consultancy services and applications management's services throughout South Africa.

Proposed Transaction and Rationale

- [8] Through this transaction the Dimension Data group will acquire sole control over Britehouse. However the stakes will be held by two separate entities within the group. DiData MEA will hold 54%¹ of the shares Dimension Data Middle East and DD SA Holdings, which currently holds 40% of the shareholding, will post-transaction hold 46%² of the shares.
- [9] DiData MEA intends to grow its ERP business. Remgro and Convergence wish to realise their asset. DiData SA Holdings and Hampden view the proposed transaction as an opportunity for long term sustainable growth for the business.

Relevant Market and Impact on Competition

- [10] The Competition Commission ("**Commission**") defined two relevant markets, the national market for the provision of ERP and the national market for the provision of Microsoft services.
- [11] The Commission found that in the market for provision of ERP, the merged entity will have an estimated market share of 13.21% (with an accretion of 10.28%). However, the merged entity will continue to face competition from large competitors such as Accenture (20.56%), Deloitte (11.75%), EOH (11.01%) and USC Solutions (5.19%).
- [12] In the market for provision of Microsoft services, the Commission found that the merged entity will have an estimated market share of 5.59% (with an accretion of 3.89%). Here the merged entity will also continue to face competition from larger competitors such as Accenture (21.7%), Deloitte (14.46%) and IBM (21.7%). The Commission accordingly recommended that based on the merged entities low market shares the proposed transaction is unlikely to substantially prevent or lessen competition in both markets.

¹ See page 3 of transcript

² See page 3 of transcript

- [13] Some competitors raised concerns that the merged entity could bundle its Oracle and SAP offering along with its Microsoft services and that it would result in input foreclosure. The Commission did not regard this concern as valid as this was not a vertical merger between a supplier and its customer and secondly that neither firm had exclusive relationships with original equipment manufacturers so that a bundling strategy could be replicated by rivals.
- [14] The Commission similarly rejected concerns expressed by other competitors that the merger would give the merged firm market power. The Commission was of the view that the neither the market shares of the merged firm post-merger nor the presence of large effective rivals that compete in the same markets as the merged firm would make the post-merger exercise of market power likely.
- [15] The Commission accordingly concluded that the proposed transaction is unlikely to substantially prevent or lessen competition in the relevant markets. We agree with this assessment.

Public Interest

- [16] The merging parties originally gave an undertaking that no retrenchments would occur for a period of one year. The Commission wanted the undertaking to be imposed as a condition to the merger and moreover, that the condition be for two years, because it had identified that 43 positions within Britehouse overlapped with 23 positions within DiData MEA. The Commission and the merging parties eventually agreed that a two year moratorium could be imposed. Given the agreement reached between the Commission and the merging parties we do not need to decide this matter and the undertaking is accordingly made a condition of the approval of this merger.³
- [17] There no other public interest concerns raised.

³ See page 6 of transcript

Conclusion

[18] In light of the above we concluded that the proposed transaction was unlikely to substantially prevent or lessen competition. Accordingly we approved the proposed transaction on the condition that there will be no retrenchments for a period of two years.



Mr N Manoim

9 September 2015
DATE

Mr A Wessels and Ms M Mokuena concurring

Tribunal Researcher:

Moleboheng Moleko

For the merging parties:

Adv. Kendall Turner, instructed by Tyron Fourie of
Eversheds

For the Commission:

Maanda Lambani