



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: LM111Aug15

In the matter between:

Tiso Blackstar Group SE

Primary Acquiring Firm

and

Robor (Pty) Ltd

Primary Target Firms

Panel : Medi Mokuena (Presiding Member)
: Anton Roskam (Tribunal Member)
: Andiswa Ndoni (Tribunal Member)
Heard on : 21 October 2015
Order Issued on : 21 October 2015
Reasons Issued on : 18 November 2015

Reasons for Decision

Approval

[1] On 21 October 2015, the Competition Tribunal ("Tribunal") unconditionally approved the merger between Tiso Blackstar Group SE ("Tiso") and Robor (Pty) Ltd ("Robor").

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

Parties to transaction

Primary acquiring firm

- [3] The primary acquiring firm, Tiso is a public company incorporated in terms of the laws of Malta. Tiso has a primary listing on the London Stock Exchange and a secondary listing on the Johannesburg Securities Exchange Limited.
- [4] Tiso is an investment holding company which has interests in a number of industries ranging from media to real estate. Relevant to the proposed transaction is Tiso's interests in Consolidated Steel Industries (Pty) Ltd ("CSI") and Robor.¹

Primary target firm

- [5] The Primary Target firm is Robor which is a private company incorporated in accordance with the laws of South Africa. Robor is a manufacturer and supplier of welded tubes and pipes, cold formed steel profiles and associated value added products. Robor is also involved in the supply, distribution and value adds to carbon steel coil, plate, sheet and structural profiles. Robor's roof sheeting mill had since January 2015 only produced roof sheeting on request.² Robor products are supplied across industries such as mining and transport.

Proposed transaction and rationale

- [6] In terms of the proposed transaction Tiso intends to increase their shareholding from 19.4% to 51%. The transaction is as a result of RMB Ventures 6 (Pty) Ltd disposing their shares, which Tiso will through a repurchase from Robor acquire.
- [7] Tiso submitted that the proposed transaction provided it with an opportunity to increase its shareholding in Robor, which is in line with its investment philosophy. For Robor the proposed transaction provided RMB with an opportunity to dispose of its investment.

¹ CSI has 100% shareholding in Global Roofing Solutions (Pty) Ltd ("GRS") and Stainless Steel and Aluminium Corporation ("Stalcor").

² Robor communicated to the Commission that it has decided to sell the roof sheeting mill.

Impact on competition

- [8] The Commission, when investigating the activities of the merging parties found that there is no horizontal overlap, between the merging parties in relation to stainless steel and aluminium products as Robor is not active in these markets.
- [9] In relation to the carbon steel activities of the merging parties, the Commission found that the proposed transaction resulted in a horizontal and vertical overlap. In their investigation of the horizontal overlap the Commission considered whether the transaction would result in any unilateral effects. The Commission found that the merged entity would have less than 20% market share with an accretion of less than 5%. The merged entity would also continue to face competition from other market participants. The Commission also approached customers of the merging parties about the proposed transaction and they did not raise any concerns.
- [10] The Commission also considered the horizontal overlap between the parties in respect to roof sheeting products. It is of the view that even if Robor was still active in this market, it would not result in a substantial prevention or lessening of competition as Robor is a small player with only one mill. It further found that Robor's major operations are its tubing business, and that its sheeting business accounted for a minute portion of its annual revenue.
- [11] The Commission's identified vertical relationship of the merging parties is due to Robor and Stalcor operating at different levels of the value chain. Stalcor is active in the distribution of carbon steel and Robor is active in the distribution and processing of carbon steel. The Commission evaluated whether the proposed transaction would result in input foreclosure and found in the negative. The Commission based this on the fact that Robor accounts for less than 15% of the upstream market, and would not have the necessary market power to engage in an effective input strategy. In their analysis of the possibility of customer foreclosure, the Commission is also of the view that the proposed transaction would not result in customer foreclosure. The Commission contacted suppliers of Stalcor and came to the conclusion that as Stalcor is a minor customer an

inability to supply Stalcor would not materially affect the merged entities competitors from competing effectively.

- [12] The Commission received concerns of the possibility of information sharing as Tiso through Kagiso Tiso Holdings has interests in Aveng Limited and Macsteel Services Centre SA. The merging parties submitted that Tiso does not have shares in either companies and is not represented on the boards of either company as well. The merging parties further submitted that the holding in either company is not merger specific. The Commission agrees with the submissions of the merging parties and found that these concerns are not merger specific.
- [13] The Tribunal accepts the Commission's findings that the vertical overlap does not present any foreclosure concerns. We further accept that the horizontal overlaps identified do not result in a substantial lessening of competition. When considering the possibility of information sharing, we also find that the concerns raised are not merger specific. We therefore conclude that the proposed transaction is unlikely to substantially prevent or lessen competition in any market within South Africa.

Public interest

- [14] The Commission considered whether a restructuring process in 2014, due to the cessation of Robor's Baldwin's roof sheeting operations was merger specific. The Commission when evaluating the evidence before it found conflicting accounts of the expressions of interest, received for the purchase of shares in Robor. In order to provide clarity the merging parties deposed to affidavits, which confirmed that that the facilities were closed due to financial losses. The Commission also communicated with relevant unions about the Baldwin's closure and none raised concerns.
- [15] The merging parties further submit that the proposed transaction will not result in an adverse impact on employment.³No other public interest concerns were identified.

³ *Inter alia* merger record page 5.

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 transactions. Accordingly, we approve the proposed transaction unconditionally.


Ms Medi Mokuena

18 November 2015
DATE

Mr Anton Roskam and Ms Andisa Ndoni concurring

Tribunal Researcher: Aneesa Ravat
For the merging parties: Anton Roets of Nortons Inc
For the Commission: Maanda Lambani and Kholiswa Mnisi