

Market division, Asset management division, Investec banking activities and Investec Properties Limited. Through its interests in various firms, Investec is also involved in other sectors such as hospitality industry, plastic packaging, manufacturing of bricks and ship repairs amongst others. Of relevance to the proposed transaction is Investec's investment in Tarsus Technology Group (Proprietary) Limited (Tarsus Tech") formerly known as MB Technologies.¹ Tarsus Tech is active in the information technology ("IT") sector as a seller and distributor of IT equipment, through entities such as Tarsus Chanel Capital Proprietary Limited ("Channel Capital"), Printacom Technologies and Tarsus Distribution. The brands distributed by Tarsus Tech include Canon, Dell, HP and Lenovo amongst others. Such products are mainly supplied to resellers who then on-sell to end users. Tarsus Tech also provides financial services, by brokering of financing for IT hardware, software and the provision of credit through a 60 day days credit plan.

- [3] New Holdco is controlled by a newly formed special purpose vehicle, Bowwood and Main No 188 Proprietary Limited ("Bowwood and Main"), in which Investec will hold 61% and Khulasande Capital Partners ("Khulasande") 39%.
- [4] Itec's business is divided into three areas mainly the importing, financing and selling of equipment and services and on-going-service and support of the equipment and service. Through its various entities and channel partners, the Itec group of companies are a leading provider of document management and print systems, production printing, enterprise communications and financial products.² Itec and the Itec Group of companies supply Minolta (which is then branded under the Itec brand) and Lexmark IT equipment. Itec also supplies IT equipment through a rental solution in terms of which they lease the IT equipment and at the end of the lease ownership reverts back to Itec. During the lease period Itec takes care of maintenance to the equipment. In relation

¹ See pages 60-61 of the merger record.

² See pages 62-64 of the record for a detailed explanation of the Itec Group of companies.

to financial activities, Itec/Itec Group provides finance to end users of its channel partners by way of lease financing agreements and undertakes to the collection of the funds owed.

Proposed transaction and rationale

- [5] Through the Share Purchase and Claims Agreement, New Holdco will acquire control over Itec and Itec Group. This will take place by way of a three stage process³. Post-merger New Holdco will hold 100% of Itec Group and Itec. These shares will be held by an Investec controlled by Bowwood & Main 90% and Management⁴ 10%.
- [6] The proposed transaction provides the Itec Group shareholders with an opportunity to realise their investment and exit the market. Itec on the other hand will also benefit from the introduction of financial, empowered shareholders and exit from a majority shareholder based in the United Kingdom who is not operationally involved in the target firms.

Competition assessment

- [7] The proposed transaction gives rise to a horizontal overlap, as the merging parties are both active in the distribution of IT equipment (printers and fax machines) and in the provision of financing services in the IT market.
- [8] The Commission spoke to various market participants such as Mustek Limited ("Mustek"), Konica Minolta Inc. ("Minolta") and Bytes Technology Group ("Bytes"). These competitors revealed to the Commission that although the merging parties are both active in the same markets, they are not direct competitors, since Tarsus Tech is active in the low-end segment of the IT market, whilst the Itec Group is active in the high-end segment of the market. The difference between the two is that the low-end segment distributes IT equipment that is suitable for home and

³ See pages 57-58 of the merger record.

⁴ Management refers to New Itec HoldCo, with its shareholders Investec, Khulasande, Phillip Perkins, Gavin Meyer and Allan Chapman.

personal use, whilst the high-end segment distributes IT equipment suitable for corporate and government departments because of its capacity. During the hearing, Mr Alan Chapman of Itec elaborated further and submitted that the retention model used by Itec involves the retention of ownership over time so that Itec retains ownership of its equipment.⁵ It was submitted further by the merging parties that leasing the equipment makes more commercial sense to the client than to own, as the equipment comprises of big printers that print high volumes of paper at a high speed.

- [9] Based on these submissions, the Commission decided not to assess the horizontal overlap any further. The Commission thus concluded that the proposed transaction is unlikely to substantially prevent or lessen competition within the IT equipment market. We concur with the Commission on its findings.

Public Interest

- [10] The proposed transaction will not have any negative impact on employment. The proposed transaction raises no other public interest concerns.

CONCLUSION

- [11] We agree with the Commission's findings that the proposed transaction is unlikely to substantially prevent or lessen competition in the identified market. We therefore approve the transaction without conditions.



Ms Medi Mokuena

16 November 2015
DATE

⁵ See page 5 of the Transcript of the hearing.

Ms Andiswa Ndoni and Mr Anton Roskam concurring

Tribunal Researcher: **Caroline Sserufusa**

For the merging parties: Natalie von Ey of Cliffe Dekker Hofmeyr

For the Commission: Reabetswe Molotsi