



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: LM018Apr18

In the matter between:

NET1 APPLIED TECHNOLOGIES SOUTH AFRICA (PTY) LTD Primary Acquiring Firm

and

DNI-4PL CONTRACTS (PTY) LTD Primary Target Firm

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| Panel | : Norman Manoim (Presiding Member) |
| | : Andiswa Ndoni (Tribunal Member) |
| | : Fiona Tregenna (Tribunal Member) |
| Heard on | : 20 June 2018 |
| Order Issued on | : 20 June 2018 |
| Reasons Issued on | : 31 July 2018 |

Reasons for Decision

Approval

[1] On 20 June 2018, the Competition Tribunal ("Tribunal") approved the proposed transaction involving Net1 Applied Technologies South Africa (Pty) Ltd and DNI-4PL Contracts (Pty) Ltd.

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

Parties to proposed transaction

Primary acquiring firm

[3] The primary acquiring firm is Net1 Applied Technologies South Africa (Pty) Ltd ("Net 1"), a private company incorporated in accordance with the company laws of South Africa. Net1 is a wholly-owned by Net1 UEPS Technologies, Inc. ("Net1 Technologies"), a US company listed on the NASDAQ and is not controlled by any firm.

- [4] Net1 controls numerous firms in South Africa namely, Cash Paymaster (Pty) Ltd, Cash Paymaster (KwaZulu-Natal) (Pty) Ltd and Cash Paymaster (Northern Province) (Pty) Ltd.¹
- [5] Net1 is a provider of payment solutions, transaction processing services and financial technology. Net1's technologies are used in electronic commerce transactions which include the sale and distribution of airtime and the sale of airtime to Net1 merchant network², which in turn sells the airtime to end user consumer.

Primary target firm

- [6] The primary target firm is DNI-4PL Contracts (Pty) Ltd, a private company incorporated in accordance with the laws of the Republic of South Africa.
- [7] The shares in DNI are held by AJD Holdings (Pty) Ltd, Rickmark Holdings (Pty) Ltd and Net1. DNI is engaged in retail communication and distributions to the informal market throughout South Africa. Its retail communications and distribution services includes the sale and distribution of prepaid airtime and starter packs.³

Proposed transaction and rationale

- [8] The proposed transaction involves a share subscription resulting in Net1 increasing its shareholding in DNI-4PL from 49% to 55%.⁴
- [9] The acquiring firm Net1 submits that the its investment in DNI will allow it to further address the need of un-banked or under-banked population by integrating mobile telephony service offerings with payment, product, distribution and hardware services. DNI submits that from its perspective, the proposed transaction will provide its existing shareholders with the opportunity to further realise the value of their investment in DNI.

¹ Furthermore Net1 has non-controlling interest in Walledoc (Pty) Ltd and Finbond Group (Pty) Ltd.

² Net1 merchant network include EasyPay (Pty) Ltd, RMT Systems (Pty) Ltd, Manje Mobile Electronic Payment Services (Pty) Ltd.

³ DNI conducts its operations through, DNI Retail (Pty) Ltd, The Starter Pack Company (Pty) Ltd, M4Jam (Pty) Ltd, Specpack Field Services (Pty) Ltd, International Tower Corporation (Pty) Ltd and M4Jam South Africa (Pty) Ltd

⁴ The remaining shares will be held by AJD and Rickmark.

Impact on competition

- [10] The merging parties submitted that the provision of airtime services can be further segmented into a market for the sale of airtime and the distribution of starter packs, which are pre-loaded with airtime. Although DNI is involved in both segments it is primarily a distributor of starter packs. Net1 is also involved in the sale of airtime, but has less than 0.5 % of the market. The overlaps are thus not significant.
- [11] The major competitor in the sale of airtime apart from the networks themselves, is Blue Label. Blue Label and Net 1 have various business relationships which we sought clarity on at the hearing.⁵
- [12] Firstly, we were advised that Net 1 is a customer of Blue Label and does not regard itself as a competitor.
- [13] Secondly, Blue Label and Net 1 are both shareholders in Cell C. We raised with the merging parties whether this could provide an opportunity for information exchange in respect of the airtime sales market between DNI (now post-merger controlled by Net 1) and Blue Label. The merging parties informed us that the information exchanged on the Cell C board does not deal at any granular level with airtime distribution market. This makes concerns about exchange of competitively sensitive information unlikely.
- [14] We are satisfied with these explanations that the merger raises no competition concerns.

Public interest

- [15] The proposed transaction will not give rise to any public interest concerns.⁶
- [16] Furthermore, the proposed transaction raises no other public interest concerns.

Conclusion

- [17] 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

⁵ The Commission took into account that competition in airtime sales also comes from sales by the major networks as well as other independents such as Glocell and Shoprite.

⁶ The proposed transaction will not result in any job losses or retrenchment

public interest issues arise from the proposed transaction. Accordingly, we approve the proposed transaction unconditionally.



Mr Norman Manoim

31 July 2018
DATE

Ms Andiswa Ndoni and Prof Fiona Tregenna concurring

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| Tribunal Case Manager: | Busisiwe Masina |
| For the merging parties: | Ms Lara Granville of Cliffe Dekker Hofmeyr |
| For the Commission: | Mr Thabelo Masethulela and Nonhlanhla Msiza |