



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: 018333

In the matter between:

SUPER GROUP TRADING (PTY) LTD

Primary Acquiring Firm

And

GREYSTONE TRADING 6 CC

Primary Target Firm

Panel	: T Madima (Presiding Member)
	: A Roskam (Tribunal Member)
	: I Valodia (Tribunal Member)
Heard on	: 26 February 2014
Order Issued on	: 26 February 2014
Reasons Issued on	: 26 March 2014

Reasons for Decision

- [1] On 26 February 2014, the Competition Tribunal unconditionally approved the acquisition by Super Group Holdings (Pty) Ltd of Greystone Trading 6 CC as a going concern.
- [2] The reasons for approving the proposed transaction follow.

Parties to transaction

Primary acquiring firm

[3] The primary acquiring firm is Super Group Trading (Pty) Ltd ("**SGT**"). SGT is a wholly owned subsidiary of Super Group Holdings (Pty) Ltd ("**Super Group Holdings**"). Super Group Holdings is ultimately controlled by Super Group Limited, a company listed on the Johannesburg Securities Exchange Limited ("**Super Group**"). Super Group's top five shareholders are:

- Allan Gray
- Public Investment Corporation¹
- Visio/Mazi Capital (Hedge funds)
- PSG Online Securities Broking
- Investec Asset Management

[4] Super Group controls the following firms:

- Bluefin Investments Limited
- Emerald Insurance Company Limited
- Fleet Africa (Pty) Ltd

[5] SGT directly controls the following firms:

- Super Group Africa
- Chataprop Holdings 98 (Pty) Ltd
- Lexshell 280 Investments (Pty) Ltd
- Micor Freight (Pty) Ltd
- Rentrack (Pty) Ltd

[6] Super Group is a supply chain management business. Of relevance to the proposed transaction is the business activities of Super Group Convenience

¹ PIC also has interests in Barloworld SA, Imperial Holdings, Bidvest (McCarthy), Combined Motor Holdings and Unitrans Automotive.

("SG Convenience"), a division operated under SGT. SG Convenience offers a centralised warehouse and distribution centre for all trading formats below formal retail (low-end retail).² SG Convenience also purchases liquor from integrated distributors or independent liquor distributors and redistributes it to certain low end retailers.

Primary target firm

- [8] The primary target firm is Greystone Trading 6 CC trading as Restaurant and Hotel Liquor Distributors ("R&H"). R&H is jointly controlled by Amaro Fernades and Alda Mario Fernades.
- [9] R&H distributes liquor to low-end retailers such as hotels, restaurants and small liquor outlets situated in Cape Town and the surrounding areas. R&H distributes liquor to low-end retailers in the Western Cape region.

Proposed Transaction

- [10] In terms of the Sale of Business Agreement between Super Group Trading and Greystone Trading 6 CC, it is agreed that SGT will acquire the business of R&H as a going concern.

Rationale

- [11] SGT wishes to expand its presence within the market for the distribution of liquor to hotels and restaurants in the Western Cape region and as such would like to acquire the business of R&H as a going concern.
- [12] R&H Close Corporation members wish to realise their investment by selling the business as a going concern to SGT.

² Low-end retailers are small independent firms that have fragmented buying patterns who are occasionally unable to meet the minimum order quantities required by the manufacturers for direct delivery, whereas high-end retailers are large integrated firms with their own distribution network and typically buy directly from the manufacturer through the manufacturer's distribution channels.

Relevant Market and Impact on Competition

- [13] There is a horizontal overlap between the activities of the merging parties in respect of the distribution of liquor to low-end retailers in the Western Cape area.³
- [14] We identified, in line with a previous decision in this regard,⁴ a separate market for the wholesale and retail of liquor. We further identified a narrow market for the redistribution/wholesaling of liquor to low end retailers, as well as a broader market of distribution of liquor to retailers in general. Thus the relevant market for the purpose of assessing the proposed transaction is the redistribution/wholesaling of liquor to small independent /low-end retailers in the Western Cape area, which represents the narrowest market in which competition concerns are likely to arise.
- [15] The estimated market shares of R&H and SGT in the relevant market are 3% and 1% respectively. The merged entity will have an estimated combined market share of 4% with an accretion of 3%.
- [16] We are of the view that the merged entities' market share is low and unlikely to raise any competition concerns. Furthermore, there are a number of viable competitors such as Makro/Masscash, Ultra liquor, Diamond Discount Liquor and Liquor Runners who also supply low-end retailers. Customers therefore have the option of purchasing directly from the integrated, appointed or independent distributors, thus further exerting a constraining influence upon the merged entity post-merger.

Conclusion

³ This geographic market comprises a radius of approximately 500km from Cape Town. In this regard see pages 11-12 of the Commission's Report.

⁴ See Massmart Holdings (Pty) Ltd and Picardi Liquors (Pty) Ltd Case Number 47/LM/Aug01.

[11] In the circumstances of the above we conclude that the proposed transaction is unlikely to substantially prevent or lessen competition in the market for the redistribution/ wholesaling of liquor to low end retailers. In addition, no public interest issues arise from the proposed transactions. Accordingly we approve the proposed transactions unconditionally.



Takalani Madima

26 March 2014
DATE

Anton Roskam and Imraan Valodia concurring

Tribunal Researcher:	Moleboheng Moleko
For Merging Parties :	Bianca Ellisa and Andile Nikani - Fluxmans Attorneys
For the Commission:	Nompucuko Nontombana