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**COMPETITION TRIBUNAL OF SOUTH AFRICA**

**Case No: LM106Jul17**

In the large merger between:

**JESIFLEX PROPRIETARY LIMITED** Primary Acquiring Firm

And

**KEVRO HOLDINGS PROPRIETARY LIMITED** Primary Target Firm

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| Panel | : Yasmin Carrim (Presiding Member) |
| | : Enver Daniels (Tribunal Member) |
| | : Anton Roskam (Tribunal Member) |
| Heard on | : 26 July 2017 |
| Order Issued on | : 26 July 2017 |
| Reasons Issued on | : 7 August 2017 |

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## REASONS FOR DECISION

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### Approval

[1] On 26 July 2017, the Competition Tribunal (Tribunal) approved the proposed transaction involving Jesiflex Proprietary Limited and Kevro Holdings Proprietary Limited.

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

**Parties to proposed transaction**

*Primary acquiring firm*

[3] The primary acquiring firm is Jesiflex (Pty) Ltd (Jesiflex), a newly formed acquisition vehicle established for the purpose of the proposed transaction.[1]

[4] Jesiflex is jointly controlled by Corvest 4 (Pty) Ltd (Corvest), Rand Merchant Bank Ventures 7 (Pty) Ltd (RMBV), Jesivox (Pty) Ltd (Jesivox) and BEECo, a company yet to be formed. During the hearing, the Tribunal was informed that BEECo has since been incorporated.[2] We have accepted that statement as being correct and that the documents before us had not been updated prior to their submission to the Tribunal.

[5] We shall refer to the Jesiflex controlling companies as the "Acquiring Group".[3]

*Primary target firm*

[6] The primary target firm is Kevro Holdings (Pty) Ltd (Kevro), a company incorporated in accordance with the laws of South Africa.[4] Kevro is controlled by Ethos Private Equity Fund VI (Ethos Fund VI).

**Proposed transaction and rationale**

[7] In terms of a Repurchase and Sale Agreement, Jesiflex intends to acquire the entire issued share capital of Kevro.

[8] The Acquiring Group submits that they identified Kevro as an attractive investment opportunity that offers good potential growth. Kevro submits that the

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[1] Jesiflex does not directly or indirectly control any firms.
[2] See Page 8, line 1 of the transcript.
[3] For the break-up of the Acquiring Group, please see paragraph 1.2 - 1.2.4.3 pages 43 and 44 of the Record.
[4] Ethos controls Kevro Trading (Pty) Ltd and Kevro (Pty) Ltd.

proposed transaction represents a good opportunity for it to enhance its growth opportunities and competition.

**Impact on competition**

[9] The Acquiring Group is involved in *inter alia*, the financial services, sale of aftermarket, automotive spare parts, retail of apparel and telecommunication sectors. Kevro is a corporate and promotional supplier in Africa. Kevro is engaged in the wholesale supply of various branded promotional products to distributors and resellers who sell these products to customers predominantly in the corporate sector. It offers a comprehensive range of clothing and a wide range of gifting products and branding services. Its main product is the brand "**BARRON**" and its products include branded apparel, work wear, chef wear, sport, head wear, gifting and bags, as well as display items such as banners and flags.

[10] The Commission considered the activities of the merging parties and found there is no horizontal overlap as none of the firms within the Acquiring Group control any firm that supplies products that compete with the products that are produced and/or supplied by Kevro. The Commission notes that Kevro is a wholesale supplier of branded promotional products to the corporate sector whereas the acquiring firm is involved in, *inter alia*, the financial services, food management services, sale of aftermarket automotive spare parts, retail of apparel and telecommunication sectors.

[11] Furthermore, the Commission assessed whether there was a potential overlap between the activities of Studio 88 (an Acquiring Group) which is active in the market for the retail of sports-lifestyle branded footwear and apparel and Kevro, in relation to the provision of apparel. The Commission's investigation found that Studio 88 and Kevro are not competitors because Kevro, on the one hand provides promotional or branded apparel specifically to the corporate sector whereas Studio 88 on the other hand is a retailer to the public. Therefore, there is no overlap in the activities of Kevro and Studio 88.

[12] Therefore, the Commission recommends that the proposed transaction be approved without conditions.

[13] We concur with the Commission.

**Public interest**

[14] The merging parties submit that the proposed transaction will not have any negative impact on employment and in particular, there are no retrenchments contemplated as a result of the proposed transaction. The Commission is thus of the view that the proposed transaction does not raise any public interest concerns. We were informed, during the hearing, that no restructuring of the Primary target firm was envisaged and that no jobs would be lost through restructuring.

**Conclusion**

[15] 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 transaction. Accordingly, we approve the proposed transaction unconditionally.

**Mr Enver Daniels**

**7 August 2017**
**DATE**

**Ms Yasmin Carrim and Mr Anton Roskam concurring**

Tribunal Case Manager: Busisiwe Masina
For the merging parties: Ms Mmadika Moloi of Webber Wentzel
For the Commission: Mr Amanda Mfuphi