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COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: LM024May16

In the matter between:

EOH HOLDINGS LIMITED Primary Acquiring Firm

and

APTRONICS PROPRIETARY LIMITED Primary Target Firm

Panel : Norman Manoim (Presiding Member)
: Medi Mokuena (Tribunal Member)
: Fiona Tregenna (Tribunal Member)
Heard on : 28 July 2016
Order Issued on : 28 July 2016
Reasons Issued on : 26 August 2016

Non-Confidential Reasons for Decision

Approval

[1] On 28 July 2016, the Competition Tribunal ("Tribunal") approved the proposed transaction between EOH Holdings Limited and Aptronics (Pty) Ltd.

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

Parties to proposed transaction

Primary acquiring firm

[3] The primary acquiring firm is EOH Holdings Limited ("EOH Holdings") a company listed on the Johannesburg Securities Exchange ("JSE").

[4] EOH Holdings and its subsidiaries will collectively be referred to as the "Acquiring Group"

Primary target firm

[5] The primary target firm is Aptronics (Pty) Ltd (Aptronics), a company incorporated in accordance with the laws of South Africa. Aptronics does not control any firm.

Proposed transaction and rationale

[6] The Acquiring Group intends to acquire 100% of the issued share capital of Aptronics. On completion of the transaction, the Acquiring Group will control Aptronics.

[7] Aptronics submits that the proposed transaction will 'help it recoup its investment through receipt of cash and shares in the Acquiring Group'. The proposed transaction will also provide Aptronics and its employees with better growth opportunities as a result of access to the Acquiring Group's customer base and the shared services and resources of a larger listed group.

Impact on competition

[8] The merging parties both supply IT services and IT software as a part of a comprehensive package of IT hardware. Therefore the proposed transaction gives rise to a horizontal overlap in the supply of IT hardware and IT services in South Africa.

[9] The Competition Commission ("Commission") considered the activities of the merging parties and found that there is a horizontal overlap in three (3) markets in the supply of information technology (IT) services:
IT Hardware:

[10] Based on the merging parties' turnover the Commission found that the merged entity will have a combined post-merger market share of [less than 5%],[1] with an accretion of [less than 5%] in the supply of IT Hardware.

Servers, personal computers, storage and networking equipment:

[11] By using the total value of the servers, personal computers, storage and networking equipment of the merging parties as a basis for calculating market share the Commission found that in the market for:

- The supply of servers, the merged entity will have a market share of [less than 10%] with an accretion of [less than 5%]
- The supply of personal computers, the merged entity will have a market share of [less than 5%] with an accretion of [less than 5%]
- For the supply of storage, the merged entity will have a market share of [less than 15%], with an accretion of [less than 5%].
- For the supply of networking equipment, the merged entity will have a market share of less than 15% with an accretion of less than 5%].

IT Services:

[12] The Commission found that the merged entity will have a post transaction market of less than 10% with an accretion of [less than 5%].

[13] Given the above the Commission concluded that the market shares of the merged entity are relatively low in all markets. Furthermore, in all of the relevant markets the merged entity will continue to be constrained by other players in the market.

[14] Therefore the Commission is of the view that the proposed transaction is unlikely to substantially prevent or lessen competition within the relevant market.

[15] We concur with the Commission's conclusion

Public interest

[16] The merging parties confirmed that the proposed transaction will have no negative effect on employment.

[1] Certain information has been claimed as confidential by the parties and thus exact percentages have been removed from the public reasons and represented as approximations.

[17] The proposed transaction further raises no other public interest concerns.

Conclusion

[18] 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.

26 August 2016

Mr. Norman Manoim DATE

Ms Medi Mokuena and Prof Fiona Tregenna concurring

Tribunal Researcher: Busisiwe Masina

For the merging parties: Michael Baxter

For the Commission: Nolubabalo Myoli