



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: LM094Aug16

In the matter between:

PEPKOR PROPRIETARY LIMITED
and

Primary Acquiring Firm

SOUTHERN VIEW FINANCE SA PROPRIETARY LIMITED Primary Target Firms
& **VAN AS ASSOCIATES PROPRIETARY LIMITED**

Panel	: Mondo Mazwai (Presiding Member)
	: Yasmin Carrim (Tribunal Member)
	: Imraan Valodia (Tribunal Member)
Heard on	: 12 October 2016
Order Issued on	: 12 October 2016
Reasons Issued on	: 14 November 2016

Reasons for Decision

Approval

- [1] On 12 October 2016, the Competition Tribunal ("Tribunal") approved a proposed transaction between Pepkor Proprietary Limited and Southern View Finance SA Proprietary Limited & Van As Associates Proprietary Limited.
- [2] The reasons for approving the proposed transaction follow.

Parties to the proposed transaction

Primary acquiring firm

- [3] The primary acquiring firm is Pepkor (Pty) Ltd, (previously JD Group Trading (Pty) Ltd), a company incorporated in accordance with the laws of the Republic of South Africa.
- [4] Pepkor is wholly-owned by Pepkor Holdings (Pty) Ltd ("Pepkor Holdings"), which is in turn, solely controlled by Steinhoff Africa Holdings (Pty) Ltd ("Steinhoff Africa"), which is ultimately controlled by Steinhoff International Holdings NV. We shall refer to these firms collectively as the "Acquiring Group".
- [5] Pepkor manages a portfolio of retail chains focused on the discount and value markets, and selling predominantly clothing, footwear and textiles as well as furniture. In South Africa, its main clothing stores are PEP, Ackermans, Dunns, John Craig, Shoe City and Flash. In the furniture business, Pepkor is active in the retail of furniture, household goods, products for home decoration, electrical appliances, electronics, building materials and do-it-yourself home improvement items through the following stores: Barnetts, Bradlows, Joshua Doore, Morkels, Price 'n Pride, Russels, Sleepmasters, Hi-Fi Corp, Incredible Connection, Pennypinchers, Timber City, Tilehouse, Unitraco and Truss plant.

Primary target firm

- [6] The primary target firms are Southern View Finance SA (Pty) Ltd ("SVF SA") and Van As & Associates Recoveries (Pty) Ltd ("Van As"), both are companies incorporated in accordance with the laws of the Republic of South Africa.
- [7] SVF SA and Van As shall collectively be referred to as the "Target Firms".
- [8] The Target Firms are wholly-owned subsidiaries of Southern Holdings Fulcrum SA (Pty) Ltd ("SH Fulcrum"). SH Fulcrum is wholly-owned by Fulcrum Financial Services SA ("Fulcrum Financial Services"), a company incorporated in accordance with the laws of Switzerland. Fulcrum Financial Services is in turn wholly-owned by Fulcrum Investment Partners SA, which is ultimately owned by Champion Capital SA ("Champion"), a private company incorporated in terms of the laws of Switzerland. Champion and all its subsidiaries will collectively be referred to as the "Fulcrum Group".

- [9] SVF SA performs call centre and loan administration services in-house to entities within the Fulcrum Group, in respect of the Fulcrum Group's micro-lending business. In particular, the Fulcrum Group's micro-lending business in South Africa, is provided under the Capfin brand (through Pepkor's PEP and Ackermans' retail network).
- [10] Van As performs debt collection related matters, such as briefing attorneys and managing the debt collection process, in respect of Fulcrum Group's micro-lending business under the Capfin brand.

Proposed transaction

- [11] Pepkor intends to acquire the entire issued share capital of the Target Firms from SH Fulcrum as well as the claims that SH Fulcrum may have against the Target Firms. Post-merger, Pepkor will control the Target Firms.

Impact on competition

- [12] Relevant to the current transaction are two pre-existing agreements between Pepkor and the Fulcrum Group:
- [13.1.] In terms of the First Agreement, Pepkor provides quick and simple personal loans to consumers in South Africa under the Capfin brand (which belongs to the Fulcrum Group), via Pepkor's PEP and Ackermans retail stores. Pepkor facilitates credit applications on behalf of Capfin in PEP and Ackermans stores on criteria determined by the Fulcrum Group¹. In terms of this arrangement, PEP and Ackermans are compensated by Capfin on a per application commission basis, for the benefit of access by customers to PEP's and Ackermans' retail network.
- [13.2.] The Second Agreement arises from the Fulcrum Group's acquisition of Pepkor's consumer credit and insurance business in March this year. In terms of a management and outsource arrangement between them, Pepkor provides call centre, loan administration and debt collection services to the Fulcrum Group on an outsourced basis in respect of Pepkor's furniture business.

¹ See transcript, page 2 lines 20-25 and page 3, lines 1-2

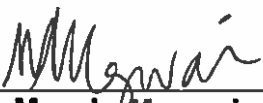
- [13] The Commission considered the activities of the merging parties and found that there was a horizontal overlap, as both parties are involved in the provision of call centre, loan administration and debt collection services.
- [14] The Commission noted, however, that pre-merger, the Target Firms provide the call centre, loan administration (through SVF SA) and debt collection services (through Van As) to the Fulcrum Group's micro-lending business, in-house. The Target Firms have not been active in the open market for call centre, loan administration and debt collection services.
- [15] On the other hand, the Acquiring Group already provides call centre, loan administration and debt collection services in respect of the Fulcrum Group's consumer credit and insurance business on an outsourced basis, to the Fulcrum Group. The Acquiring Group also does not provide call centre, loan administration and debt collection services to the open market.
- [16] In essence, the transaction extends the call centre, loan administration and debt collection services currently provided by the Acquiring Group to the Fulcrum Group in respect of the latter's consumer credit and insurance business, to its Capfin micro-lending business (previously provided in-house by SVF SA and Van As respectively).
- [17] The Commission is of the view that the proposed transaction is unlikely to substantially prevent or lessen competition in the call centre, loan administration and debt collection services as the merging parties' services are not available to the open market. The Commission concluded that the proposed transaction was unlikely to substantially prevent or lessen competition in the identified markets.
- [18] We concur with the Commission's conclusion.

Public interest

- [19] The merging parties confirmed that the proposed transaction will have no negative effect on employment.
- [20] The proposed transaction further raises no other public interest concerns.

Conclusion

[21] 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.


Ms Mondo Mazwai

14 November 2016
DATE

Ms Yasmin Carrim and Prof Imraan Valodia concurring

Tribunal Researcher:	Busisiwe Masina
For the merging parties:	Lizel Blignaut of ENS Africa
For the Commission:	Maanda Lambani