



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: LM195Jan17

In the matter between:

Extolite (Pty) Ltd

Primary Acquiring Firm

and

Feedem Pitseng (Pty) Ltd

Cristal Solutions (Pty) Ltd

Primary Target Firm

Panel	: Andiswa Ndoni (Presiding Member)
	: Enver Daniels (Tribunal Member)
	: Imraan Valodia (Tribunal Member)
Heard on	: 8 February 2017
Order Issued on	: 8 February 2017
Reasons Issued on	: 22 February 2017

Reasons for Decision

Approval

[1] On 8 February 2017, the Competition Tribunal ("Tribunal") unconditionally approved the merger between Extolite (Pty) Ltd ("Extolite") and the target firms Feedem Pitseng (Pty) Ltd ("Feedem") and Cristal Solutions (Pty) Ltd ("Cristal").

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

Parties to the transaction

Primary acquiring firm

- [3] The primary acquiring firm is Extolite which is controlled by Extofor (Pty) Ltd. Extofor is in turn jointly controlled by Zico Capital 2 (Pty) Ltd ("Zico Capital") and Corvest 4 (Pty) Ltd ("Corvest 4"). Zico Capital is controlled by Agile Capital 2 Proprietary Limited. The subsidiaries and controllers of Extolite will hereinafter be referred to as the acquiring group. Notably, the acquiring group owns forty-two (42) Kentucky Fried Chicken outlets in Gauteng under franchise agreements.
- [4] Extolite and Zico are newly incorporated entities which do not provide any products and services. Corvest 4 is part of the RMB Corvest Group which is active in the on-balance sheet provision of private equity.

Primary target firm

- [5] The primary target firms Feedem and Cristal are not controlled by any firm. Feedem controls Unistar Africa Site Solutions (Pty) Ltd and Pitseng Catering Services (Pty) Ltd.
- [6] Feedem is a catering company that offers services to sectors ranging from corporate and industrial to private and public healthcare. The company manages a total of 244 sites employing a number of people. Cristal is a "one-stop" cleaning services company which offers a range of cleaning services and solutions to clients in industries such as mining and shopping centers.

Proposed transaction and rationale

- [7] The proposed transaction involves a number of inter-related steps which would result in Extolite acquiring the entire issued share capital of both Feedem and Extolite.
- [8] The target firms submitted that the proposed transaction served as an opportunity to facilitate the exit of certain shareholders while at the same time introducing a new BEE shareholder. The acquiring group submitted that this transaction provides it with an investment opportunity and the potential to grow another multi-service group.

Impact on competition

[9] According to the Competition Commission's ("the Commission") findings the proposed transaction does not result in a substantial lessening of competition in any market because the activities of the merging parties do not overlap. At the hearing of this matter, we enquired whether the acquiring group's ownership of the Kentucky Fried Chicken franchises overlapped with catering services offered by Feedem. The Commission and the merging parties confirmed that while both operated in the broader food category, the two types of services offered were distinct and did not overlap.

[10] We concur with the Commission's competition assessment, i.e. that the proposed transaction is unlikely to substantially prevent or lessen competition in any relevant market as there is no overlap present.

Public interest

[11] The merging parties confirmed that the proposed transaction will not result in an adverse impact on employment.¹ The proposed transaction further raises no other public interest concerns.

Conclusion

[12] 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 transactions. Accordingly, we approve the proposed transaction unconditionally


Ms Andiswa Ndoni

22 February 2017
DATE

Mr Enver Daniels and Prof Imraan Valodia concurring

Tribunal Researcher: Aneesa Ravat
For the merging parties: Natalie von Ey of Cliffe Dekker Hofmeyr
For the Commission: Zintle Siyo and Xolela Nokele

¹ *Inter alia* merger record page 9.