



## MERGER DECISION NO 07: 2021

### Notice in Terms of Section 53(4) (a) (ii) of the Competition Act 2018

#### **DECISION ON THE ASSESSMENT OF THE PROPOSED ACQUISITION OF 100% ISSUED SHARE CAPITAL OF TARSUS TECHNOLOGY GROUP (PTY) LTD FROM MAMZEN (PTY) LTD BY ALVIVA HOLDINGS LIMITED**

##### **Introduction of the Merging Parties**

Pursuant to section 53(4)(a)(ii) of the Competition Act 2018 ("the Act"), notice is hereby given on the decision made by the Competition and Consumer Authority ("the Authority") in relation to the proposed acquisition of 100% of the issued share capital in Tarsus Technology Group (Pty) Ltd ("Tarsus"), from Mamzen (Pty) Ltd ("Mamzen") by Alviva Holdings Limited ("Alviva"). The transaction was notified to the Authority on 16<sup>th</sup> December 2020 and the merger assessment was completed on 21<sup>st</sup> January 2021.

The Acquiring Enterprise, Alviva, is a company incorporated in accordance with the Laws of South Africa. It is a public company listed on the Johannesburg Securities Exchange (JSE) and it is not controlled by any enterprise/s. For completeness, the four (4) largest shareholders holding over 3.5 percent shares in the target enterprise are: Tham Investments (Pty) Ltd; Peresec Prime Brokers (Pty) Ltd (Zarclear); Citibank Client Nominees; and Steyn Capital. The remaining issued share capital in Alviva is widely held.

In Botswana, Alviva operates through its wholly owned subsidiaries: Axiz Botswana (Pty) Ltd ("Axiz Botswana"); Boditse (Pty) Ltd (now dormant) ("Boditse") and its South African subsidiary – Pinnacle Micro (Pty) Ltd ("Pinnacle"). Alviva is an investment holding company and is a provider of information and communication technology products and services through its subsidiary companies across Africa, including in Botswana.

The Target Enterprise, Tarsus, is a private company incorporated under the Laws of South Africa. It is wholly owned and controlled by Mamzen, a private company incorporated in accordance with the Laws of South Africa. Mamzen is in-turn controlled by Bowwood and Main No. 188 (Pty) Ltd ("Bowwood and Main"), a private company also incorporated in accordance with the Laws of South Africa.

In Botswana, Tarsus controls Tarsus Technology (Pty) Ltd (Botswana) ("Tarsus Botswana"), which is a company incorporated in accordance with the Laws of Botswana. Tarsus' business activities comprise that of an Information Technology warehouse and distribution company. Tarsus Botswana is therefore a traditional

distribution business of hardware technology brands and provides its services to the reseller and retail channel.

## **Relevant Markets**

Alviva is listed on the Technology sector of the JSE. It is described as an investment holding company and the providers of information and communication technology products through its various subsidiaries. In Botswana, Alviva operates through its wholly owned subsidiaries: Axiz Botswana (Pty) Ltd (“Axiz Botswana”); Boditse (Pty) Ltd (now dormant) (“Boditse”) and its South African subsidiary – Pinnacle Micro (Pty) Ltd (“Pinnacle”). The Alviva Group is comprised of focused operating subsidiaries who specialise in their unique product and service offerings. The subsidiaries operate as independent standalone entities that operate autonomously and compete with one another. The Alviva Group operates through three distinct business segments:

- a) IT Distribution - imports and, in some cases, assembles IT hardware and software and sells it into the sub-Saharan African markets via reseller channels and national retail chains;
- b) Service and Solutions – systems integration and IT solution, including cyber-security, application development, artificial intelligence solutions and renewable energy projects in South Africa, the rest of Africa and beyond; and
- c) Financial Services - Finance solutions to business entities in the SMME and commercial sector, principally for office automation and technology-based equipment.

Tarsus’ principal activities comprise that of an IT warehouse and distribution company. Tarsus is active in the IT market as a distributor of IT equipment. It operates an industry supply chain solution, combined with a management system, thereby offering optimised logistics. Tarsus also provide technical skills to the reseller community that allows for more complex business deals utilising cutting edge techniques and technologies, cloud and security and complaint services.

In Botswana, Tarsus operates through its subsidiary – Tarsus Technology (Pty) Ltd (Botswana) (“Tarsus Botswana”), a traditional distribution business providing distribution services for hardware technology brands to the reseller and retail channel. The brands distributed by Tarsus Botswana Include, Dell, HP and Lenovo among others. The products are mainly supplied to resellers who then sell to end users. Tarsus Botswana also offers technical support to resellers and end users.

It is clear the Merging Parties are in the same line of business and thus there exist a horizontal overlap in the products offered by the parties to the merger. Therefore, based on the nature of the products and services offered by the Merging Parties, the market under consideration is defined as *the wholesale/distribution of IT products and related services*. The geographical market is national hence the entire Botswana country.

## **Competitive Analysis and Public Interest**

In the assessment of Substantial Lessening of Competition, the investigation has revealed that there exist an overlap in the products offered by the merging parties as they are both active in the wholesale/distribution of IT products and related services in Botswana. However the established overlap is not seen to have any adverse effects on competition. There exist a number of other well established players in the wholesale/distribution of IT Products such as: First Distribution; Drive Control Corporation; Red Dot; and Westcon among others, who are expected to discipline the competitive behaviour of the merged entity post-merger. Furthermore, this is a highly competitive bidding market; with a significant countervailing power of the Vendors/Resellers and Original Equipment Manufacturers (OEMs); and hence a relatively low accretion in market share.

The analysis further indicate that the proposed merger will not result in any Acquisition of a Dominant Position by the merged entity or by any enterprise in Botswana. The estimated market share of the merged entity is about 19.20 percent post- merger and this is just with respect to the IT Distribution market. This is below the 25% threshold for dominance stipulated in the Competition Act 2018. Additionally, IT distributors also face fierce competition from OEMs who likewise, sell directly to resellers/ system integrators. This aspect of the market notably reduces the estimated market share of the merged entity post implementation of the proposed merger. Therefore the Authority does not foresee an acquisition of a dominant position in the market under consideration or any other market on account of the proposed transaction.

With regards to Public Interest Considerations, the Authority does not foresee any detriment to matters of public interest that will arise as a result of the transaction under consideration.

### **The Determination**

The Authority determined through the analysis of the facts of the merger that the structure of the relevant market is not expected to significantly change upon the implementation of the proposed merger and the proposed transaction is not likely to result in any adverse effects on competition, nor endanger the continuity of service in the relevant market in Botswana. Furthermore, the proposed merger will not have any negative effect on public interest matters in Botswana as per the provisions of section 52(2) of the Competition Act 2018.

Pursuant to the provision of section 53 of the Act, the Authority has unconditionally approved proposed acquisition of 100% of the issued share capital in Tarsus Technology Group (Pty) Ltd, from Mamzen (Pty) Ltd by Alviva Holdings Limited.

However, as stated under section 61 of the Act, this approval does not override or negate any other mandatory statutory approvals or processes that any of the parties to this merger must comply with under the Laws of Botswana.

Dated at Gaborone on this 22<sup>nd</sup> day of January 2021

Tebelelo Pule, Chief Executive Officer, Competition and Consumer Authority, P/Bag  
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