

(Pty) Ltd (“Newco”) a subsidiary of Masscash (Pty) Ltd (“Masscash”), a company part of the Massmart Group, Massmart Holdings Limited (“Massmart”).

- 3] Newco is a shelf company and has not previously traded. Massmart trades through various companies that fall under its four divisions namely Massdiscounters¹, Masswarehouse², Massbuild³ and Masscash⁴.
- 4] The primary target firm is DD’s Cash and Carry (Pty) Ltd trading as JD’s Cash and Carry (Pty) Ltd (“JD’s”). JD’s conducts business as a retailer and wholesaler of grocery products to customers in the LSM 2 to 6 market through its store located in Vosloorus, Gauteng. In this store, JD’s has a butchery, bakery, take-away counter and sale of fresh produce and other perishables.

The proposed transaction

- 5] Masscash, through its subsidiary Newco, is to acquire a 51% interest in JD’s. The existing shareholders of JD’s will retain 49% of the interest in the business. Minority protections are afforded to these shareholders.

Rationale for the proposed transaction

- 6] Massmart through Masscash wants to expand its presence in the retail grocery segment. More particularly to grow its mass-market in the urban and peri-urban areas where large incumbents are consolidating their respective market shares, and where Massmart currently has no

1 Comprises of the Game stores, which offers merchandise and non perishable groceries to end consumers in 5-10 socio-economic groups. Dion Wired which offers a more upmarket range of mainly electrical and electronic merchandise to the upper end consumer.

2 Comprises of Makro which trades in range of food, liquor and general merchandise to commercially affiliated sellers and upper income end consumers in the 6-10 socio economic groups.

3 Builders Warehouse, Builders Express and Builders Trade Depot which sell hardware and home improvement products and building materials.

4 Comprises of Jumbo Cash and Carry which distributes cosmetic, toiletries and hair products for sale to lower to middle income urban customer. Also comprises of CBW which trades in basic grocery products and limited range of general merchandise . In this list there is also Shield which is as voluntary buying group serving independently owned food wholesale and retail outlet servicing customers in the LSM 2-6 socio-economic groups.

presence. Masscash's food retail hybrid strategy is intended to provide a combined retail/wholesale format that will cater for the needs of LSM 2-6 customers and small independent trades.

- 7] The rationale for this transaction for the target firm, is that Spirydon Yiannopoulos, a trustee and beneficiary in the SY Trust that currently owns 50% interest in JD's, wants to realise his interest. Further, it is expected that Massmart, as a result of this transaction, will bring additional resources which will allow JD's business to expand.

Relevant markets and impact on competition

Horizontal analysis

- 8] There is a horizontal overlap in respect of wholesale trade in grocery products to the customers in the LSM 2-6 socio-economic groups in the Gauteng province. The geographic overlap occurs with the acquiring firm's nearest wholesale store being the Springs Cash and Carry. However, it was found that this market has the presence of sufficient effective competitors⁵ to curb any anti competitive behaviour by the merged entity.

Vertical analysis

- 9] Additionally, there exists a vertical relationship between the merging parties. This is because JD's has previously made ad hoc purchases from the primary acquiring firm. The figures concerning such purchases are however too insignificant to raise any foreclosure concerns or issues.
- 10] The customers of the merging parties were contacted and indicated no objection to the merger provided that the merger does not change the

⁵ Such as Shoprite, Spar, OK, Pick 'n Pay and Boxer.

present buying conditions situating to the worst.

Public interest

11] No public interest concerns arise as a result of this proposed transaction.

Conclusion

12] The proposed transaction is approved without conditions since it is unlikely to substantially prevent or lessen competition in any potential relevant market.

17 November 2010

Norman Manoim

DATE

Yasmin Carrim and Andreas Wessels concurring

Tribunal Researcher	:	Mahashane Shabangu
For the merging parties	:	Chris Charter and Pia Harvey from Cliffe Dekker Hofmeyr
For the Commission	:	Mogalane Matsimela of the Mergers and Acquisitions Division