



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: LM275Feb18

In the matter between:

Datacentrix Holdings Limited

Primary Acquiring Firm

And

DG Store (SA) (Pty) Ltd

Primary Target Firm

Panel	: AW Wessels (Presiding Member)
	: Medi Mokuena (Tribunal Member)
	: Andiswa Ndoni (Tribunal Member)
Heard on	: 1 March 2018
Order Issued on	: 1 March 2018
Reasons Issued on	: 23 March 2018

REASONS FOR DECISION

Approval

- [1] On 1 March 2018, the Competition Tribunal ("Tribunal") unconditionally approved the proposed transaction involving Datacentrix Holdings Limited ("Datacentrix") and DG Store (SA) (Pty) Ltd ("DG Store"), hereinafter collectively referred to as "the merging parties".
- [2] The reasons for approval of the proposed transaction follow.

Parties to the proposed transaction

Primary Acquiring Firm

- [3] The primary acquiring firm is Datacentrix, a public company incorporated in accordance with the laws of South Africa. Datacentrix is a wholly-owned subsidiary of DCT Holdings (Pty) Ltd ("DCT"). Alviva Holdings Limited ("Alviva") holds a majority controlling interest in DCT. No single shareholder exercises control over Alviva. Datacentrix controls a number of entities in South Africa.
- [4] Datacentrix and its subsidiaries operate *inter alia* as a technology reseller and ICT (information and communication technologies) systems integrator, including the provision of IT infrastructure, services and business solutions.

Primary Target Firm

- [5] The primary target firm is DG Store, a private company incorporated in accordance with the laws of South Africa. At the time of the merger filing DG Store did not control any firm. However, it is a condition precedent to the proposed transaction that DG Store will acquire Digital Generation Consulting (Pty) Ltd ("DG Consulting") and Digital Generation Education (Pty) Ltd ("DG Education").
- [6] DG Store operates as an ICT systems integrator, providing *inter alia* infrastructure and business solutions.

Proposed transaction

- [7] Datacentrix intends to acquire 70% of the issued share capital in DG Store and will therefore control DG Store post-merger.

Impact on competition

- [8] The activities of the merging parties overlap in the provision of IT systems integration.
- [9] The Competition Commission ("Commission") however defined the relevant product market as the broad market for the provision of all IT products and services. In support of this the Commission indicated that suppliers within the broad IT market generally are not limited to a single category of IT service and tend to supply a range of IT solutions. However, no further details were provided of the firms that the Commission spoke to or what products and services they offer. We find that there is a lack of evidence in this case to support the very broad product market delineation as contended for by the Commission.
- [10] We shall focus our horizontal competition assessment on the area of overlap between the activities of the merging parties, i.e. the provision of IT systems integration products and services. The merging parties will have a post-merger estimated national market share of below 10% in this relevant product market. Furthermore, a number of other firms are active in this market, including Telkom/BCX, Altron/Bytes, EOH and Dimension Data, that can exercise a competitive constraint against the merging parties. Customers also confirmed that they have a number of alternative providers of these services.
- [11] Furthermore, the Commission identified a vertical relationship between the merging parties since Datacentrix supplies hardware and software to DG Store. The Commission however found that post-merger foreclosure as a result of the proposed transaction is unlikely given that there are a number of alternative customers and suppliers of hardware and software products. We concur with this finding.
- [12] We conclude that the proposed transaction is unlikely to substantially prevent or lessen competition in the national market for the provision of IT systems integration and furthermore does not raise any foreclosure concerns.

Public interest

[13] The merging parties confirmed that the proposed transaction will not have any negative impact on employment.¹

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

Conclusion

[15] In light of the above, we conclude that the proposed transaction is unlikely to prevent or lessen competition in any relevant market. In addition, no public interest concerns arise from the proposed transaction. Accordingly, we approve the proposed transaction unconditionally.



Mr Andreas Wessels

23 March 2018

Date

Mrs Medi Mokuena and Ms Andiswa Ndoni concurring

Tribunal Researcher: Hlumelo Vazi

For the Merging Parties: H Muller of Tugendhaft Wapnick Banchetti and Partners

For the Commission: R Molotsi

¹ Merger Record, pages 7, 66, 212 and 213.