



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case no: LM171Jan22

Synergy Investment Partnership, an *en commandite* partnership (Primary Acquiring Firm)

and

Synergy Contact Centre Proprietary Limited (Primary Target Firm)

Heard on: 04 April 2022

Order Issued on: 05 April 2022

REASONS FOR DECISION

- [1] On 5 April 2022, the Competition Tribunal ("Tribunal") unconditionally approved a large merger in terms of which Synergy Investment Partnership, an *en commandite* partnership ("Synergy Investment Partnership") intends to acquire shares in Synergy Contact Centre Proprietary Limited ("Synergy") issued share capital.

Proposed transaction

- [2] In terms of the proposed transaction, Synergy Investment Partnership intends to acquire control over Synergy by acquiring 65% of Synergy's entire issued share capital. [REDACTED]

[REDACTED]

[REDACTED] Our assessment and decision only relates to the transaction before us, which is the acquisition of 65% issued share capital.

Merging parties' activities

Primary acquiring firm

- [3] Synergy Investment Partnership's activities are conducted through TC Corporate Ventures GP Proprietary Limited ("TC Corporate Venture GP"), which in turn is

controlled by Transaction Capital Limited (“TC”), an investor in and operator of credit-orientated alternative assets.

- [4] TC’s three divisions are Transaction Capital Risk Services Proprietary Limited (“TCRS”), which holds 90% of the partnership interest in the Synergy Investment Partnership, SA Taxi Holdings Proprietary Limited (“SA Taxi Group”) and Transaction Capital Motor HoldCo Proprietary Limited (“TCMH”).
- [5] Synergy Investment Partnership conducts its business activities through various firms wherein it has invested, which it distributes its products and renders its services across South Africa.

Primary target firm

- [6] Synergy is a contact centre firm that operates in the worldwide Business Process Outsourcing (“BPO”) sector, providing customer acquisition and support solutions to a diverse variety of blue-chip customers situated in the United Kingdom (“UK”) and the United State of America (“USA”) and working in the retail, telecommunications, and utility sectors.
- [7] Synergy is not controlled by any individual firm and shall be referred to as the primary target firm.

Competition assessment

- [8] The Commission considered the activities of the merging parties and found that the proposed transaction results in a horizontal overlap in relation to the provision of the following Business Process Outsourcing (“BPO”) solutions services: (i) call centre services, (ii) debt management services, and (iii) debt collection services in the open market. However, the Commission found that Synergy exclusively serves consumers in the UK and the USA and Synergy does not render any services to any customers in South Africa.
- [9] Based on this evidence, there is no geographic overlap between the activities of the merging parties. Therefore, there is no horizontal overlap in the activities of the parties.

- [10] The Commission found that post-merger, the merged entity will have a market share of less than 30% in the provision of debt collection services to South African consumers. As a result, following the implementation of the merger, the merged entity will continue to compete with well-established competitors.
- [11] In the supply of call centre services to South African customers, the merged entity will have less than 1% of the share in the market. In relation to the supply of debt collection services from South Africa to customers outside of South Africa, the merged entity will have a market share of about less than 40%. Lastly, the merged entity will have less than 5% market share in the supply of call centre services from South Africa to customers outside of South Africa.
- [12] No third party raised any concerns with the proposed transaction.
- [13] Based on the above, the Tribunal conclude that the proposed transaction is unlikely to substantially prevent or lessen competition in any relevant market.

Public interest

Effect on employment

- [14] The merging parties confirmed that the proposed transaction will not adversely affect employment. In particular, the merging parties submitted that they have no plans to retrench any employees because of the proposed transaction.

Effect of a particular sector or region

- [15] The merging parties submitted that the Department of Trade, Industry and Competition ("dtic") has recognised the BPO industry as an employment growth vehicle with a target of 500 000 more BPO jobs by 2030 and it has in recent year been promoting South Africa as a preferred offshoring destination to international geographies and companies. As a result, by broadening its business services offerings beyond debt collection, TCRS is well positioned to contribute to the national growth objectives.

Effect on the greater spread of ownership

- [16] The merging parties noted that pre-merger, Synergy is not Broad-based Black Economic Empowerment (“B-BBEE”) empowered, while TC is currently classified as a level 3 B-BBEE firm. Further, that several shareholders of the TC are members of HDP and given that the TC is required to be rated in accordance with the Johannesburg Securities Exchange Listings Requirements, the primary target firm will ensure that Synergy is rated accordingly following the implementation of the proposed transaction.
- [17] The merging parties submit that independent of the proposed transaction, TC group of companies is committed to transformation by (i) the sale of 25% of SA Taxi to a B-BBEE entity incorporated by the South African National Taxi Council (which was partly funded by TC); (ii) the recent issue of shares by TC to Royal Bafokeng Holdings; (iii) the increase in TC’s B-BBEE score by two levels in the last year – with further initiatives under consideration to further improve its score; and (iv) SA Taxi increasing its B-BBEE rating from a Level 7 to Level 3 in the past two years.
- [18] The Tribunal notes the merging parties’ commitments to transformation. As a result, the proposed transaction is unlikely to result in a negative impact on the empowerment status of any of the primary acquiring firms since the B-BBEE shareholders will continue to hold the same percentage of shares in TC, SA Taxi, and TCR post-merger.

Other public interest issues

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

Conclusion

- [20] For reasons set out above, we conclude that the proposed transaction is unlikely to substantially prevent or lessen competition in any relevant market. Furthermore, the proposed transaction does not raise any public interest concerns.

Signed by:Liberty Mncube
Signed at:2022-06-01 08:38:50 +02:00
Reason:Witnessing Liberty Mncube

L-Mncube

Professor Liberty Mncube

31 May 2022

Date

**Professor Imraan I. Valodia and Ms Mondo Mazwai
concurring**

Tribunal Case Managers:	Sinethemba Mbeki and Camilla Mathonsi
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For the Commission:	Busisiwe Ntshingila and Themba Mahlangu