

**COMPETITION TRIBUNAL
REPUBLIC OF SOUTH AFRICA**

Case No: 14/LM/Mar05

In the large merger between:

SA Leisure (Pty) Limited

Acquiring Firm

and

SA Leisure - a Division of First Lifestyle (Pty) Ltd

Target Firm

Reasons for Decision

Approval

1. On 26 March 2005, the Competition Tribunal issued a Merger Clearance Certificate approving unconditionally the proposed merger between the abovementioned parties. The reasons for the approval follow.

The merger transaction

2. The proposed transaction constituted a management buy-out of the target firms. The buy-out is funded by FirstRand Limited ("FirstRand") through its subsidiary, Corvest 6 (Pty) Ltd ("Corvest 6"). It is envisaged that SA Leisure (Pty) Ltd ("Newco") will acquire the assets and liabilities of SA Leisure,¹ Jafprop,² Leisure Compounders and IPC.³ Newco will, post-merger, control the businesses conducted by the target firm.⁴ Corvest 6 will hold 66% of the issued share capital in Newco whereas the remaining 34% will be in the hands of a consortium of management and the staff trust ("Consortium").⁵

Rationale for the transaction

3. The deal is considered – by Corvest 6 – as a viable opportunity to acquire an equity stake in a profitable company. The management consortium wishes to buy the target business because it would enable them to obtain a share of the company in which they currently work.⁶

The merging parties

¹ We were advised that Newco is acquiring the business, but not the shares of SA Leisure.

² This excludes the property at Norwood, which Newco will lease from Jafprop.

³ The assets and liabilities of IPC will be acquired from Jafprop.

⁴ Refer to page 20 (paragraph 11.6) of the record.

⁵ These will be held in the following proportions: Gary Cohen (10%); Miriam Jacobs (5.25%); David Jaffit (15.4%); and Staff Trust (3.35%). **See page 494-495 of the record.**

⁶ See the Commission's report, page 2 (para. 3).

4. The primary acquiring firm is Newco, a dormant shelf company created solely for this acquisition. Post-merger, it will be controlled by Corvest 6 and the consortium.

5. The primary target firm is SA Leisure, a division of First Lifestyle (Pty) Ltd (“First Lifestyle”). Other target firms are Leisure Compounders (Pty) Ltd (“Leisure Compounders”), Isithebe Plastic Corporation (Pty) Ltd (“IPC”), and Jafprop (Pty) Ltd (“Jafprop”).⁷ SA Leisure controls the latter 3 business entities. Ethos Private Equity Fund IV holds 45% of the shares in First Lifestyle that is part of Ethos Private Equity Ltd, which in turn is 100% controlled by Ethos Holdings Ltd (“Ethos Holdings”). Individuals hold the rest of the shares in First Lifestyle with no single shareholder holding in excess of 15% of the shares.⁸ Ethos Holdings is controlled as to 50.01% and 49.99% by its executive management members and RMB Private Equity (Pty) Ltd (“RMB Private Equity”) respectively. RMB Private Equity is controlled as to 85% by FirstRand Bank Holdings Ltd (“FirstRand Holdings”).

What is it that the merging parties do?

6. **Newco** is a newly formed company, and has not traded before. **Corvest 6**, a subsidiary of FirstRand, provides finance and assistance to potential investors to enable them to acquire a company that they currently manage or that that which they have a substantial stake in.⁹ **FirstRand** is the holding company of the FirstRand Group of companies which comprise diverse financial services activities in the areas of retail, corporate, investment and merchant banking, life insurance, employee benefits, health insurance and asset and property management. These services are provided to both local and international markets.

7. **The target group** is mainly involved in manufacturing, distribution, sales and marketing of plastic injection moulded products and related property holding. They manufacture the following products:

- ❑ Outdoor Furniture – includes a vast array of tables and chairs;
- ❑ Housewares and storage – such as dish drainers, linen bins, laundry baskets, vegetable racks, food storage products and dustbins.
- ❑ Home Office – including the “buddi” branded range of plastic filing cabinets, drawers and desk units;
- ❑ Camping – that is, the “lifestyle” branded cooler boxes;
- ❑ Gardening – including hosepipes and spray attachments;
- ❑ Storage – such as “store it” branded storage boxes, shelving and the “kids stuff” branded storage products for kids;
- ❑ DIY and Fishmaster – which are: the “big Jim” branded toolboxes, organisers, storage bins and various “Fishmaster” branded tackle boxes.¹⁰

Competition Evaluation

8. We are advised that there are no overlaps with respect to the activities of the

⁷ First Lifestyle controls these 3 other target firms.

⁸ See **Annexure E** “First Lifestyle Ownership as at 31 May 2003” – **Page 530 of the record**.

⁹ This is regarded as the main objective of Corvest 6. (**Page 496 of the record**)

¹⁰ See the Commission’s Report, pages 3-4.

acquiring firms that control Newco and that of the target firm. There are no significant public interest concerns¹¹ and we therefore agree with the Commission's recommendation that the transaction be unconditionally approved.

David Lewis

26 April 2005

Date

Concurring: **Norman Manoim and Yasmin Carrim**

For the merging parties:	Chris Charter (<i>Cliffe Dekker Inc</i>)
For the Commission:	Hardin Ratshisusu (<i>Mergers & Acquisitions</i>)

¹¹ The parties submitted that the merger would not have an impact on employment (retrenchment) whatsoever as the transaction constitutes a transfer of the target businesses and all employees to the acquiring firm in accordance with the provisions of section 197(1) of the Labour Relations Act, 66 of 1995.