

**COMPETITION TRIBUNAL
REPUBLIC OF SOUTH AFRICA**

Case no.: 78/LM/Dec03

In the large merger between:

Housing Solutions no. 39 (Pty) Ltd

and

Stock Buildings Africa (Pty) Ltd

Reasons

Introduction

On 28 January 2004 the Competition Tribunal approved the merger between Housing Solutions No. 39 (Pty) Ltd and Stocks Building Africa (Pty) Ltd. The reasons for this decision are set out below.

The transaction

The transaction amounts to a restructuring of Stocks Building Africa (Pty) Ltd's ("Stocks") black economic empowerment component. Woman Investment Portfolio Ltd ("Wiphold"), the third shareholder in Stocks, will be substituted with Leswikeng Building (Pty) Ltd.

In order to facilitate Leswikeng's acquisition of control, the entire business of Stocks will be transferred to a shelf company, Clidet No 477 (Pty) Ltd ("Clidet").¹ At the same time Wiphold will relinquish its interest in Stocks and will be substituted by Leswikeng. Subsequent to the transaction Clidet will be jointly controlled by 1) FirstRand Ltd holding 40% of the issued share capital, 2) a consortium of management holding 30% and 3) Leswikeng holding 30%.

The parties to the transaction

The primary acquiring firm is Housing Solutions No. 39 (Pty) Ltd (to be renamed Leswikeng Building (Pty) Ltd ("Leswikeng")).

¹ The use of Clidet as a special purpose vehicle is to facilitate the funding required for Leswikeng to acquire joint control of the Stocks business.

Leswikeng's shareholders are:

- African Equity Corporation (Pty) Ltd, holding 51% of the issued share capital,
- New Stands (Pty) Ltd, holding 30%, and
- African Equity Trust holding 19%.

The primary target firm is Stocks Building Africa (Pty) Ltd. The following entities control Stocks:

- FirstRand through its subsidiary RMB Ventures One (Pty) Ltd, holding 49.9% of the issued share capital,
- Wiphold through its subsidiary WIP Private Equity (Pty) Ltd, holding 25.1%, and
- Management, holding 25%.

Rationale for the transaction

According to the merging parties Wiphold intends to exit from its investment in Stocks as this does not form part of its core strategy. This leaves Stocks without an empowerment partner. Leswikeng has been identified as a suitable empowerment partner to substitute Wiphold.

Competition Analysis

Stocks is a building company specialising in general construction works, residential buildings and non-residential buildings.

Leswikeng is an investment vehicle for African Equity Corporation (Pty) Ltd ("AEC"), which concentrates on mining, minerals and energy industries. AEC is a 100% black owned investment company and does not trade. It also has no interest in any entity conducting a business similar to Stocks.

There is thus no overlap between the products and services provided by the respective parties to the merger.

Based on the above we find that the merger will not substantially prevent or lessen competition in the relevant markets.

Public Interest

The transaction does not raise any significant public interest concerns.

9 February 2004

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Date

Concurring: M. Holden and P. Maponya