

**COMPETITION TRIBUNAL**  
**REPUBLIC OF SOUTH AFRICA**

---

**Case No: 16/LM/Feb06**

**In The Large Merger Between  
The Prepaid Company (Pty) Ltd  
And  
Matragon (Pty) Ltd**

**Acquiring firm**

**Target firm**

**Reasons for Decision**

---

**Approval**

1. On 12 April 2006, the Tribunal unconditionally approved the proposed merger transaction between the abovementioned parties. The reasons for the decision follow.

**Parties**

2. The acquiring firm is The Prepaid Company (Pty) Ltd ("Prepaid"). Blue Label Investment (Pty) Ltd group of companies owns 69.6% of the shares in and claims against Prepaid. The remaining 30.4% of the shares and claims against Prepaid are owned by Shotput Investment (Pty) Ltd. Prepaid controls a number of firms none of which are relevant for the purposes of this analysis.<sup>1</sup>

3. The target firm is Matragon (Pty) Ltd ("Matragon") which wholly owns three subsidiaries namely CES Manufacturing (Pty) Ltd, Airtime Xpress (Pty) Ltd and Comm Express Services South Africa (Pty) Ltd and collectively known as the Matragon group. The current shareholders of Matragon are the MAPSC Family Trust (34%), DAB Trust (4%), PPJ Family Trust (9%), S Frank Family Trust (9%), G Templehoff Family Trust (10%) and RAB Family Trust (34%) collectively known as ("the Trusts").

---

<sup>1</sup> A list of those firms can be found on page 2 of the Commission's Report.

## **Transaction**

4. The transaction involves Prepaid acquiring 50% shares in and claims in Matragon group. Each of the pre-merger shareholders of Matragon (“the Trusts”) shall sell 50% of their respective shares in and claims in Matragon in terms of the proposed transaction and on completion of the proposed transaction Prepaid will own and control 50% of Matragon with the remaining 50% being owned and controlled by the Trusts.

## **Rationale of the transaction**

5. Prepaid considers that the transaction will enable it to gain access to the Matragon group’s unique proprietary technology. The technology currently used by Prepaid to make distributions in relation to airtime sales is outdated and is not EMV complaint (Europay-Mastercard-Visa Complaint) as a result it is not capable of accepting debit or credit cards. From Matragon’s perspective the selling of the 50% of interest in the Matragon’s group to Prepaid is to indirectly become parties to the server based switching (delivery) agreement that the subsidiaries of Prepaid have with various institutions.

## **The merging parties activities**

6. The primary activities of Prepaid Company firm are the selling and distribution of voice telephony airtime (including post-paid contracts, physical and electronic prepaid recharges and starter packs. Matragon through its subsidiaries is involved in selling and distributing voice telephony airtime (including postpaid contracts, physical and electronic prepaid recharges and starter packs. Comm Express Services of South Africa (Pty) Ltd a wholly owned subsidiary of Matragon is involved in airtime management services which allows other firms to use its back-office software to manage their airtime sales.<sup>2</sup>

## **Relevant Market**

---

7. The Commission defines the relevant market as the market for the distribution of airtime sales more specifically the distribution of airtime sales to other intermediaries and Independent Service Providers in South Africa.

## **Competition Evaluation of the Merger**

8. The Commission’s investigation revealed that the merging parties would enjoy a combined post merger market share of 10.15% in the market for the distribution of airtime sales.

---

<sup>2</sup> A list of the activities of the merging parties can be found on pages 4 and 5 of the Commission’s Report.

9. Pre-merger Prepaid had 8.31% whilst Matragon has 1.84% of the identified relevant market share. According to the Commission the merging parties will compete with larger players such as Vodacom SP (42.15%) and MTN (27%).

### **Vertical overlap**

10. There are also vertical aspects to the transaction as both parties sell airtime to each other at various levels of the market. Prepaid sells airtime to Comm Express, a wholly owned subsidiary of Matragon. According to the Commission the sales constitute less than 1% of Matragon's turnover. Comm Express also sells airtime to The Prepaid that constitute less than 1% of Prepaid turnover. The parties are not dominant at any levels of the market. According to the Commission the market is not characterised by any distinct sales pattern with various players selling across the functional level.

### **Public interest**

11. No public interests issues arise from the merger.

### **Conclusion**

12. Based on the above the transaction will not result in a substantial lessening or prevention of competition in the identified markets and is accordingly approved unconditionally.

---

**Y. Carrim**

**09 May 2006**  
**Date**

Concurring: D Lewis and N Manoim

For the merging parties: Paul Coetzer, Brink Cohen Le Roux  
For the Commission: Geoffrey Mudzanani, Mergers and Acquisitions