

# COMPETITION TRIBUNAL OF SOUTH AFRICA

**Case NO: 44/LM/Apr08**

In the matter between

Reunert Ltd

Primary Acquiring firm

And

Quince Capital Holdings Ltd

Primary Target Firm

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Panel : N Manoim (Tribunal member); Y Carrim (Tribunal member) and M Mokuena (Tribunal member)

Heard on : 11 June 2008

Decided on : 11 June 2008

Reasons Issued : 09 July 2008

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## Reasons for decision

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### Approval

[1] On 11 June 2008 the Competition Tribunal issued a Merger Clearance Certificate approving the merger between Reunert Ltd and Quince Capital Holdings Ltd unconditionally. The reasons for the approval appear below.

### Parties

[2] The primary acquiring firm is Reunert Ltd ("Reunert"), a public company listed on the JSE. Reunert is not controlled by any single shareholder. Its major shareholders are Old Mutual Asset Managers (SA) with 12.3% and Public investment Corporation with 11.3% shareholding. Reunert has in excess of twenty subsidiaries in South Africa.

[3] The primary target firm is Quince Capital Holdings Ltd ("Quince Capital"), a company incorporated under the laws of the Republic of South Africa. Quince Capital is not controlled by any single shareholder. Its shareholders are Reunert (the primary acquiring firm in the

instant transaction) with 47.2%, PSG Financial Services Ltd with 40.3% and Kalander Trust with 6.1%.

## **Transaction**

[4] The parties submit that Quince Capital was established as a joint venture by Reunert, PSG Financial and the Kalander Trust with the intention of converting it into a bank over time. However, due to the subprime crisis (which has the potential to greatly increase the cost of funding to Quince Capital), other alternative ways of financing the business were explored. The parties therefore decided that it would be best to unwind their investment in Quince Capital (by means of two related but separate transactions) and restore themselves to their original position.

[5] In this transaction, which represents the first unwinding process, Reunert will acquire the remaining 52.8% shares in Quince Capital from PSG Financial Services and the Kalander Trust. On completion, Reunert will own the entire issued share capital of Quince Capital.<sup>1</sup>

## **Rationale**

[6] Due to the potential risk of an increase in the cost of funding Quince Capital as a joint venture, Reunert, PSG Financial and the Kalander Trust decided that it would be best to unwind their investment in Quince Capital and restore themselves to their original position.

[7] The rationale for Quince Capital is that it will restore all shareholders to their respective position as it was before the conclusion of the joint venture.

## **Parties Activities**

### **Reunert**

[8] Reunert is an investment holding company with interests in the following sectors: Electrical engineering, office systems, consumer products, telecommunication, electronic and defence systems and investments and services. For purposes of the present transaction, activities of Reunert's two subsidiaries, i.e. Nashua Office Systems and

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<sup>1</sup> The second unwinding process entails PSG Financial Services and the Kalander Trust repurchasing the assets which they initially contributed to Quince Capital. This transaction is dealt with separately under case no: 45/LM/Apr08.

Pansolutions, are relevant.

[9] Nashua Office Systems is a supplier of office multifunctional devices branded “Nashua”. It sources its products from Ricoh, a manufacturer of office automation equipment. Pansolutions is also a supplier of office multifunctional devices to corporate clients. It distributes “Panasonic” branded products.

## **Quince Capital**

[10] Quince Capital is an initiative that was established by Reunert, PSG Financial and the Kalandar Trust. Its subsidiary, i.e. RC&C Finance<sup>2</sup>, is an asset backed finance company trading as Nashua Finance<sup>3</sup> and Quince Asset rental. RC&C Finance provides financing by way of rental agreements predominantly in respect of Nashua and Panasonic products to end consumers and franchisees. It discounts rental agreements concluded between franchisees and end consumers.

[11] The rental agreements provided by RC&C Finance are in respect of office automation equipment which includes photocopiers, printers, fax machines, telecommunication equipment, computers, IT equipment and software, audio visual equipment etc.

## **Competitive analyses**

[12] There is no overlap between the activities of the merging parties as Reunert is a supplier of office multifunctional devices and Quince Capital discounts rental agreements in respect of office automation equipment. The proposed transaction, however, results in a vertical integration as Reunert is a supplier of office automation equipment (upstream market) and Quince Capital discounts office automation equipment (downstream market). The Commission defined the geographic market as national in both affected markets because customers can source office equipment and/or the financing thereof from anywhere in the country.

[13] Although the majority of RC&C Finance’s turnover is derived from offering discounting services to Reunert, the Commission found that the transaction would not result in input foreclosure as RC&C Finance is not the only major player in the market for discounting of office automation equipment. There are other players such as Sasfin, Fintech, Absa Technology Finance and Technofin who will serve as an alternative in the unlikely

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<sup>2</sup> RC&C Finance was a subsidiary of Reunert until 2007 when it was transferred to Quince Capital.

<sup>3</sup> It is submitted that Nashua Finance is not part of the Nashua Group.

event of RC&C Finance deciding not to discount agreements from other suppliers of office automation equipment.

[14] Similarly, the transaction is unlikely to give rise to customer foreclosure as Reunert is not the only major customer in the market for discounting services for office automation equipment. There are other customers such as Xerox, Minolta, Mita/Kyocera and Sharp which other discounting firms can serve. Further, the parties submit that they do not have any exclusive arrangement and none will be entered into post merger. We therefore agree with the Commission that proposed transaction is unlikely to substantially prevent or lessen competition in the affected markets.

### **Public interest**

[15] The transaction does not give rise to any public interest issues and is accordingly approved without conditions.

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**N Manoim**  
**Tribunal Member**

**09 July 2008**

**Date**

**Concurring: Y Carrim and M Mokuena**

Tribunal Researcher : I Selaledi

**For the merging parties : Edward Nathan Sonnenbergs Inc**

For the Commission : Makgale Mohlala and Linda Chung