



MERGER DECISION NO 04: 2022

Notice in Terms of Section 53(4) (a) (ii) of the Competition Act of 2018

DECISION ON THE ASSESSMENT OF THE PROPOSED ACQUISITION OF 50.1% ISSUED SHARE CAPITAL OF EIE GROUP (PTY) LTD BY CFAO HOLDINGS SOUTH AFRICA (PTY) LTD AND THE REPURCHASE BY EIE GROUP (PTY) LTD OF 49.9% OF ITS ISSUED SHARES HELD BY enX GROUP LIMITED

Introduction of the Merging Parties

Pursuant to section 53(4)(a)(ii) of the Competition Act of 2018 ("the Act"), notice is hereby given on the decision made by the Competition and Consumer Authority ("the Authority") in relation to the proposed Acquisition of 50.1% of the issued share capital of EIE Group (Pty) Ltd ("EIE Group") by CFAO Holdings South Africa (Pty) Ltd ("CFAO HSA"), and the Repurchase by EIE Group (Pty) Ltd of 49.9% of its issued shares held by enX Group Limited ("enX Group"). The Subscription and Repurchase are collectively referred to as the "Proposed Transaction", in terms of which enX Group will be a 100% shareholder of EIE Group immediately prior to the Proposed Transaction. Following the proposed transaction, CFAO HSA will own 100% of EIE Group. The transaction was notified to the Authority on 14th December 2021 and the merger assessment was completed on 21st January 2021.

The Acquiring Enterprise, CFAO HSA is a private company incorporated in accordance with the Laws of South Africa. It is a wholly-owned subsidiary of CFAO SAS ("CFAO"), a company incorporated in accordance with the Laws of France. CFAO is in turn, wholly owned by Toyota Tsusho Corporation ("TTC"), a public company incorporated in Japan and listed on the Tokyo Stock Exchange and the Nagoya Stock Exchange. TTC is not controlled by any single shareholder. For ease of reference, TTC, CFAO HSA, CFAO, and any firm directly and or indirectly controlled by these enterprises are collectively referred to as the "CFAO Group".

CFAO Group is a key player in mobility, healthcare, consumer goods, infrastructure and energy and its distribution network comprises 158 subsidiaries. In Southern Africa, the CFAO Group's primary presence is in South Africa, where it operates through a number of subsidiaries, including: Toyota Tsusho Africa (Pty) Ltd; Toyota Tsusho South Africa Processing (Pty) Ltd; Africa Mobility Solutions (Pty) Ltd; CFAO Motors South Africa (Pty) Ltd ("CMSA"); and Subaru Southern Africa (Pty) Ltd ("Subaru SA"). The CFAO Group operates in Botswana through the following companies:

1. CFAO Motors Rental (Botswana) (Pty) Ltd, trading as Hertz Rent A Car ("Hertz Botswana"), a subsidiary of CMSA (formerly Unitrans Motor Holdings (Pty) Ltd ("Unitrans Motor")). Hertz Botswana provides car rental services through five (5) branches across Botswana, namely Francistown International Airport, Sir Seretse Khama International Airport, Gaborone Downtown, Kasane International Airport and Maun International Airport; and
2. Subaru SA. Subaru SA has not established its own Subaru sales and service dealership in Botswana. Instead, Subaru SA appointed Subaru Botswana as an independent Subaru dealership in Botswana. Subaru SA's activities involve the sourcing and supply of vehicles, parts and accessories, from South Africa to Subaru Botswana, as well as the managing of the franchise relationship.

The Target Enterprise, EIE Group is a private company incorporated in accordance with the laws of South Africa. It is a wholly-owned subsidiary of enX Leasing Investments (Pty) Ltd ("enX Leasing"), which is in turn wholly-owned by enX Group, a public company listed on the exchange operated by Johannesburg Stock Exchange Limited ("JSE"). The Target Enterprise specialises in providing distribution, rental, and value-added services for industrial and material handling equipment.

To facilitate the implementation of the proposed transaction, enX Group will undertake an internal restructure such that, immediately before implementing the Proposed Transaction, EIE Group will control: Saficon Industrial Equipment (Pty) Ltd ("SIE"); 600SA Holdings (Pty) Ltd ("600SA"); as well as Uni-Cape Equipment (Pty) Ltd ("Uni-Cape") - which is a wholly-owned subsidiary of 600SA. EIE Group, SIE, 600SA and Uni-Cape are collectively referred to as the "Target Group". In Botswana, one of the target companies, SIE, has a distribution agreement with Turbo (Pty) Ltd - trading as Forklif Sales Botswana ("FSB"), in terms of which FSB is appointed as the exclusive dealer for SIE in Botswana.

Relevant Markets

In terms of the relevant market, the assessment of the proposed transaction has revealed that Merging Parties are not active in the same line of business in Botswana and therefore there is no product overlap in the business activities of the merging parties. The Target Companies specialise in providing industrial and material handling equipment, including forklift, warehousing, lifting, waste management, cleaning, and marine equipment. In contrast, the Botswana-related market operations of the CFAO Group is limited to the provision of car rental services through Hertz Botswana, and its dealership arrangement with Subaru Botswana.

Therefore, for purposes of analysing the proposed transaction, and in view of the nature of the products and services offered by the Target Enterprise, the market under consideration is defined as the provision for distribution, rental, value-added services for industrial and material handling equipment in Botswana.

Competitive Analysis and Public Interest

In the assessment of Substantial Lessening of Competition, the investigation has revealed no product overlap in the activities of the merging parties since the target and acquiring enterprises are not active in the same line of business. In this regard, the Authority does not expect the proposed transaction to give rise to any substantial lessening of competition or restrict trade or the provision of services or to endanger the continuity of supplies in the relevant market or in any market in Botswana.

In terms of the Acquisition of a Dominant Position, the proposed merger is not expected to result in the acquisition of a dominant position by the merged entity or by any enterprise in Botswana. The merging parties are not direct competitors and therefore no accretion in market share will arise as a consequence of the proposed transaction. The proposed transaction will not result in any changes to the market structure and no horizontal or coordinated effects or concerns arise as a result of the proposed merger.

With regards to Public Interest Considerations, the Authority does not foresee any detriment to matters of public interest that will arise as a result of the transaction under consideration. No job losses are anticipated in Botswana as a result of the proposed merger.

The Determination

The Authority determined through the analysis of the facts of the merger that the structure of the relevant market is not expected to change upon implementation of the proposed merger as the proposed transaction is not likely to result in a substantial lessening of competition, nor endanger the continuity of service in the market for the provision of distribution, rental, value-added services for industrial and material handling equipment in Botswana. Furthermore, the proposed merger will not have any negative effect on public interest matters in Botswana as per the provisions of section 52(2) of the Competition Act 2018.

Pursuant to the provision of section 53 of the Act, the Authority has unconditionally approved the proposed the proposed Acquisition of 50.1% of the issued share capital of EIE Group (Pty) Ltd by CFAO Holdings South Africa (Pty) Ltd, and the Repurchase by EIE Group (Pty) Ltd of 49.9% of its issued shares held by enX Group Limited.

However, as stated under section 61 of the Act, this approval does not override or negate any other mandatory statutory approvals or processes that any of the parties to this merger must comply with under the Laws of Botswana.

Dated at Gaborone on this 21st day of January 2022.

Tebelelo Pule, Chief Executive Officer, Competition and Consumer Authority,
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