



MERGER DECISION NO 10: 2023

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

DECISION ON THE ASSESSMENT OF THE PROPOSED ACQUISITION OF KANSAI PAINT CO. LTD'S SUBSIDIARIES NAMEDLY KANSAI PLASCON AFRICA LTD AND KANSAI PLASCON EAST AFRICA LIMITED BY AKZONOBEL NV.

Introduction of the Merging Parties

Pursuant to Section 53(4)(a)(ii) of the Competition Act, 2018 ("the Act"), notice is hereby given on the decision made by the Competition and Consumer Authority ("the Authority") in respect of the proposed acquisition of Kansai Paint Co. Ltd. ("Kansai Paint") subsidiaries, namely Kansai Plascon Africa Ltd ("KPAL") and Kansai Plascon East Africa Limited ("KPEA") (collectively, the Target Enterprises or Kansai) by AkzoNobel N.V ("AkzoNobel"). KPEA is not active in Botswana, and as such, was not be the focus of the merger assessment. The transaction was notified to the Authority on 02nd December 2022 and the merger assessment was completed on 16th May 2023.

AkzoNobel, the Acquiring Enterprise, is a public limited liability company established under the Laws of the Netherlands. It is listed on the Euronext Amsterdam stock exchange. AkzoNobel conducts its business in Botswana through Dulux Botswana Proprietary Limited ("Dulux Botswana"), a private company established under the Laws of Botswana. Dulux Botswana has a manufacturing facility, warehouses, and sales operations. Dulux Botswana manufactures decorative coating products, but does not manufacture or supply any industrial coating products in Botswana. Furthermore, Dulux Botswana's manufacturing facility does not produce the full range of AkzoNobel decorative coating products, and certain products that have low sales volumes in Botswana are imported as finished products from AkzoNobel's operations in South Africa.

KPAL, the Target Enterprise, is incorporated in accordance with the Laws of the Republic of South Africa. KPAL is controlled by Kansai Paint. Kansai Paint is a public company incorporated under the Laws of Japan and listed on the Tokyo Stock Exchange. KPAL conducts its business in Botswana through Kansai Plascon Botswana Proprietary Limited ("Plascon Botswana"). Plascon Botswana is a private company incorporated under the Laws of Botswana. Plascon Botswana does not conduct any local manufacturing operations, but undertakes sales and warehousing operations.

All of the KPAL decorative coating products sold in Botswana are manufactured in South Africa and exported as finished products to KPAL's depots in Botswana. Similarly, all of KPAL's industrial coating products (namely automotive refinishes, general industrial coatings, and protective coatings) that are sold in Botswana are manufactured outside of Botswana and exported to KPAL's local depots.

Relevant Market

The Authority established a horizontal product and geographical overlap in the activities of the Merging Parties since they both trade in decorative paints throughout Botswana. The Merging Parties serve the same set of customers comprising individuals, retailers and contractors. As such, the relevant market is specifically defined as the market for wholesale supply and retail distribution of decorative paints in Botswana.

Competitive Analysis and Public Interest concerns

The Authority has established that the proposed transaction will result in substantial lessening of competition and strengthened dominance of the Merged Entity because:

- a) The Merging Parties are close competitors in terms of price, quality, and product range and the merger will remove competitive rivalry between two notable brands, thus reducing consumer choice;
- b) There will be a removal of a vigorous competitor being Plascon Botswana as it is the only other significant player in the relevant market. As such, the merger will enhance Dulux Botswana's dominant position in the market;
- c) The Merged Entity is highly likely to act unilaterally with less competition restraint from remaining competitors as they are significantly smaller than the Merging Parties;
- d) Plascon Botswana and Dulux Botswana possess strong brand recognition and customer loyalty built over many years. This has provided and will continue to provide insulation from competitive pressure as they are able to maintain relatively higher market shares despite their product pricing being relatively higher than of their competitors. As such, it takes considerable time for new entrants to offer effective competition to the Merging Parties; and
- e) KPAL's survival in the relevant market is not dependent on the proposed merger.

In terms of Public Interest Considerations, the findings of the assessment revealed that there is potential for loss of jobs arising from duplication of roles.

The Determination

Pursuant to the provision of Section 53 (1) (b) of the Act, the Authority has resolved to decline the proposed acquisition of Kansai Paint Co. Ltd subsidiary, namely Kansai Plascon Africa Ltd by AkzoNobel N.V.

Dated at Gaborone on this 16th day of May 2023.

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