



MERGER DECISION NO 16: 2023

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

DECISION ON THE ASSESSMENT OF THE PROPOSED ACQUISITION OF LOTS 253 AND 4710 GABORONE FROM BIFM LOCAL PROPERTY UNIT TRUST FUND BY CANDLEWOOD ENTERPRISES (PTY) LTD

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 relation to the proposed acquisition of Lots 253 And 4710 Gaborone from BIFM Local Property Unit Trust Fund ("BIFM Local Property Fund" or the "Target Enterprise") by Candlewood Enterprises (Pty) Ltd ("Candlewood" or the "Acquiring Enterprise"). The proposed transaction only pertains to the purchase of the properties which are within the property portfolio of the Target Enterprise. The transaction was notified to the Authority on 27th April 2023 and the merger assessment was completed on 6th June 2023.

The Acquiring Enterprise, Candlewood is a newly formed entity incorporated in accordance with the Laws of the Republic of Botswana for the purpose of establishing a business of building and renting out apartments for both long and short stays. Candlewood is not controlled nor does it control any other enterprise. On the other hand, BIFM Local Property Fund is a property investment trust organised and existing under the Laws of Botswana. BIFM Local Property Fund is controlled by Botswana Insurance Fund Management Limited which also controls BIFM Trust Property Limited and it is part of the Botswana Insurance Holdings Group. BIFM Local Property Fund does not control any enterprise.

Relevant Markets

The Merging Parties are companies duly incorporated in accordance with the Laws of Botswana. The findings of the assessment indicate that the Acquiring Enterprise is a newly formed entity specifically incorporated for the proposed acquisition and therefore does not currently provide any goods or services and as such will be a new entrant in the relevant market.

For completeness, in terms of the activities of the Merging Parties, it should be noted that the Acquiring Enterprise aims to provide a wide range of tenancing opportunities for ordinary individuals as well as businesses. Alongside the rental aspect, the Acquiring Enterprise aims to strive in property development and resale. The Target Enterprise, BIFM Local Property Fund invests in diversified investment-grade properties with the objective to provide real long-term capital growth for clients through both income and capital gains, consistent with a risk-managed real estate portfolio.

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 Acquiring Enterprise is a newly established business and does not currently provide any goods or services and as such will be a new entrant in the relevant market. Therefore, the transaction under assessment is not expected to substantially lessen 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. The proposed merger will result in insignificant effects in the market as there is a number of other real estate investment companies in Gaborone owned by diverse individuals and institutions that will act as a constraint on the merged entity, post-merger.

For the analysis of Acquisition of Dominance, the approval of the proposed transaction is not expected to result in an acquisition of a dominant position by the merged entity or by any enterprise in the market under consideration or any other market in Botswana. Thus, the implementation of the proposed merger will not result in the Merged Enterprise attaining a 25% market share which is a threshold for dominance. Furthermore, the Merged Enterprise is expected to face strong competition from the existing well-established players including local and multinational commercial property companies.

In terms of 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 significantly 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 under consideration. 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 acquisition of Lots 253 and 4710 Gaborone from BIFM Local Property Unit Trust Fund by Candlewood Enterprises (Pty) Ltd.

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 6th day of June 2023.

Tebelelo Pule, Chief Executive Officer, Competition and Consumer Authority, P/Bag 00101, Gaborone, Plot 28, Matsitama Road, Tel: 3934278 Fax: 3121013