



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: LM250Dec17

In the matter between

Ethos Private Equity Fund VI

Primary Acquiring Firm

And

RTT Holdings (Pty) Ltd

Primary Target Firm

Panel	: Mr Norman Manoim (Presiding Member)
	: Mr Andreas Wessels (Tribunal Member)
	: Prof. Imraan Valodia (Tribunal Member)
Heard on	: 15 January 2018
Order Issued on	: 15 January 2018
Reasons Issued on	: 6 February 2018

REASONS FOR DECISION

Approval

- [1] On 15 January 2018, the Tribunal unconditionally approved the transaction between Ethos Private Equity Fund VI ("Ethos Fund VI") and RTT Holdings (Pty) Ltd ("RTT"), hereinafter referred to as the merging parties.
- [2] The reasons for the proposed transaction follow.

Parties to the transaction

Primary Acquiring Firm

- [3] Ethos Fund VI is a private equity investment fund that invests in medium to large-sized companies throughout the Republic of South Africa and Sub-Saharan Africa. It comprises of Ethos Capital VI GP (Jersey) Limited, Ethos Capital VI GP (SA) (Pty) Ltd, and the trustees of Ethos Fund VI Co-Investment. Ethos Fund VI is advised by Ethos Private Equity (Pty) Ltd on investments and facilitates the acquisition by investors (local and foreign) of equity interests in management buyouts. Ethos Fund VI's controllers and subsidiaries are hereinafter referred to as the "Acquiring group".
- [4] The Acquiring group engages in the business of managing private equity funds from multiple domestic and foreign investors.

Primary Target Firm

- [5] RTT is jointly controlled by a consortium of firms and wholly controls three other firms.
- [6] Ethos Fund VI already holds a joint controlling interest of 44.96% in RTT. RTT's controllers and subsidiaries are hereinafter referred to as the "Target group".
- [7] The Target group is engaged in various business ventures which comprise of IT-driven solutions, secure transportation, warehousing and distribution, and other value-added services. It serves several South African industries, *inter alia*, telecommunication, technology and healthcare.

Proposed transaction and rationale

- [8] In terms of the Subscription and Recapitalization Agreement, the proposed transaction entails a change from joint to sole control through an acquisition of shares. Ethos Fund VI will acquire an additional 9.39% of the issued share capital

in RTT. Post-merger, Ethos Fund VI will hold a sole controlling interest of 54.35% in RTT and its subsidiaries.

- [9] The merging parties submitted that RTT has experienced a decline in earnings and has been pressured to restructure its balance sheet. As such, RTT shareholders agreed to recapitalise the RTT group. By virtue of the recapitalization, and the fact that certain loans are not held proportionately by all RTT shareholders, Ethos Fund VI will cross the so-called *bright line* to acquire sole control.

Relevant market and impact on competition

- [10] The Commission considered the activities of the merging parties and found that the proposed transaction does not result in any horizontal overlaps, as the Acquiring group does not have any interests in the firms that conduct business in warehousing, transportation and distribution, save for Ethos Fund VI's pre-merger shareholding in RTT. The competitive landscape of the market at present will remain unaltered as the proposed transaction simply entails a change in control as a result of an increased shareholding by Ethos Fund VI in RTT.
- [11] In light of the above, the Commission was of the view that the proposed transaction is unlikely to substantially prevent or lessen competition in any market. We accordingly agreed with the Commission's analysis.

Public interest

- [12] The merging parties submitted that the proposed transaction will not result in any adverse effects on employment as no retrenchments were contemplated. Ethos Fund VI does not have any employees and the proposed transaction will not impact RTT's day-to-day operations. The Commission noted that no concerns were raised by employees of RTT and thus was of the view that the proposed transaction does not raise any employment or any other public interest concerns.

Conclusion

- [13] In light of the above, we concluded that the proposed transaction is unlikely to substantially prevent or lessen competition in any market. In addition, no other public interest issues arise from the proposed transaction. Accordingly, we approved the proposed transaction unconditionally.



Mr Norman Manoim.

6 February 2018
Date

Mr Andreas Wessels and Prof. Imraan Valodia concurring.

Tribunal Case Manager : Ndumiso Ndlovu and Kgothatso Kgobe.

For the Merging Parties : S van der Meulen of Webber Wentzel.

For the Commission : S Gumede.