



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: LM145Jan25

In the matter between:

Novus Proprietary Limited

Primary Acquiring Firm

and

Mustek Limited

Primary Target Firm

Panel:	I Valodia (Presiding Member) A Ndoni (Tribunal Member) G Budlender (Tribunal Member)
Heard on:	10 March 2025
Last date of submission:	13 March 2025
Decided on:	14 March 2025
Reasons issued on:	04 April 2025

REASONS FOR DECISION

Introduction

- [1] On 14 March 2025, the Competition Tribunal ("Tribunal") conditionally approved a large merger in which Novus Holdings Limited ("**Acquiring Firm**") will acquire Mustek Limited (the "**Target Firm**") (the "**Proposed Transaction**").

Parties to the transaction and their activities

- [2] The primary acquiring firm is Novus Holdings Limited ("**Novus Holdings**"). Novus Holdings is controlled by A2 Investment Partners Proprietary Limited ("**A2**") (67.22%).¹ Novus, through its wholly owned subsidiary Novus Packaging

¹

Proprietary Limited, holds pre-merger, a non-controlling interest of 35.07% in Mustek Limited ("**Mustek**"), the target firm.

- [3] The Novus group comprises a commercial printing, manufacturing and packaging business with four specialised printing plants, two packaging manufacturing plants and a non-controlling interest in a tissue plant in South Africa.
- [4] The A2 group of companies' business model involves investing capital in financial assets funded by its shareholders.
- [5] Novus, all the firms that control Novus and the firms that are controlled by Novus will be referred to as the "**Acquiring Group**".
- [6] The primary target firm is Mustek. Mustek is a public company that is listed on the Johannesburg Stock Exchange and is not controlled by any single firm or individual.
- [7] Mustek Operations falls under the distribution and service and support segments of the group. Mustek controls various subsidiaries in South Africa which include Rectron Proprietary Limited ("Rectron") and Brotek Proprietary Limited ("Brotek"). Rectron falls under the distribution and service and support segments of the Mustek Group.
- [8] Mustek and all firms directly and indirectly controlled by it will be referred to as the "**Mustek Group**".



Proposed transaction

Transaction

[9] The proposed transaction is notified on the premise that Novus Holdings will acquire control over Mustek in terms of sections 12(2)(a), (b), (c) and/or (g) of the Competition Act 89 of 1998 (as amended). In terms of the proposed transaction, the Acquiring Group intends to acquire the additional shareholding in Mustek in either one of two ways, as follows:

9.1. In terms of the Mandatory Offer which was triggered when the Acquiring Group made an offer to all of the issued share capital in Mustek; or

9.2. In the instance that Mustek's shareholders reject the Acquiring Group's Mandatory Offer, the Acquiring Group will then proceed to acquire additional shares in Mustek in the open market.

[10] Post-merger, Novus Holdings' shareholding and voting rights in Mustek may amount to less than 50% of the issued share capital. However, it may still acquire *de facto* control over Mustek.

Competition assessment

[11] The Competition Commission ("Commission") found that the Proposed Transaction does not give rise to a horizontal overlap between the merger parties, as the Mustek Group does not supply any products or services that are similar to or substitutable with those of the Acquiring Group. In addition, no vertical concerns arise as a result of the Proposed Transaction since the merger parties are not active at different levels of the same value chain nor do they supply each other with goods or services.

[12] According to the merger parties, the Proposed Transaction will not result in the merged entity having market power post-merger, as there are many competitors,

including several smaller players, that will be able to compete effectively with the merged entity.

- [13] The Commission further noted that Novus Holdings, through its newly acquired subsidiary On the Dot Supply Chain Management Proprietary Limited (“On the Dot”), purchased IT equipment on a ‘once off basis’ from Mustek. The merger parties indicated that Novus Holdings does not currently intend to switch from its existing IT equipment suppliers as a result of the Proposed Transaction.
- [14] The merger parties submitted that the Proposed Transaction will not result in an input or customer foreclosure concerns as Mustek will post-merger continue to supply other customers and the Acquiring Group will continue to procure its IT equipment from third party suppliers. As a result, the Proposed Transaction does not raise any competition concerns.
- [15] The Commission agrees with submission that the merger parties are relatively small players in the market for the supply of IT equipment in South Africa. Therefore, concluded that the Proposed Transaction will not result in any competition concerns.
- [16] In line with the Commission’s recommendation and having considered the activities of the merger parties, we agree that the Proposed Transaction is unlikely to lead to a substantial lessening or prevention of competition in the relevant market in South Africa.

Public interest assessment

Employment

- [17] The merger parties submitted to the Commission that the Proposed Transaction does not result in any retrenchments or job losses.
- [18] In assessing the effect of the proposed transaction on employment, the Commission raised concerns regarding Mustek’s employees. These concerns

stemmed from the Commission's evaluation of email correspondence between a Mustek employee representative and management regarding proposed retrenchments. In response, the Commission requested the merger parties to address these employment concerns.

- [19] The proposed retrenchment exercise, according to the merger parties, affects workers of Mustek and Rectron, due to [REDACTED]
[REDACTED] The exercise has been finalised and that only [REDACTED] employees of the Mustek Group are affected.
- [20] The Commission requested that the merger parties offer remedies consist of (i) a two-year employment moratorium and (ii) a preferential re-employment condition for employees affected by the current retrenchment exercise.
- [21] In response to the Commission's request, the merger parties informed the Commission that the retrenchment process is a result of operational requirements which is unrelated to the Proposed Transaction and is therefore not merger-specific. Nevertheless, the merger parties submitted that they are amenable to offer conditions set out in **Annexure A**, to address the Commission's concerns, noted above.
- [22] The Commission accepted the commitment as satisfactory and, consequently, recommended approval of the Proposed Transaction, subject to the agreed conditions set out in **Annexure A**.
- [23] In light of the above, no further intervention is required. Therefore, there are no employment concerns arising from the Proposed Transaction.

Promotion of a greater spread of ownership

- [24] The merger parties submitted that the Proposed Transaction does not have a negative effect on ownership by historically disadvantaged persons ("HDPs").

- [25] When assessing the effect of the proposed transaction on the promotion of a greater spread of ownership, and in line with the Commission's assessment, we noted that the Acquiring Group's has [REDACTED] % shareholding held by HDPs and the Mustek Group has [REDACTED] % shareholding. The Mustek Group's pre-merger HDP shareholding of [REDACTED] % includes the Acquiring Group's [REDACTED] % stake. Moreover, at least [REDACTED] % of the Mustek Group's HDP shareholding is attributable to the Acquiring Group.
- [26] The Commission noted that neither of the merger parties have an employee share ownership programme. However, the Mustek Group will remain empowered post-merger and that no further intervention is required.
- [27] After considering the submissions from both the Commission and the merger parties, we conclude that the proposed transaction does not raise public interest concerns that warrants further intervention, as envisaged by section 12A(3)(e) of the Act.
- [28] For these reasons, we find that the proposed transaction does not raise any public interest concerns.

Other public interest considerations

- [29] No evidence or submissions were presented indicating that the proposed transaction raises public interest concerns. We are satisfied that the merger will not negatively impact the factors outlined in section 12A(3) of the Act.

Conclusion

- [30] For the reasons set out above, we are satisfied that the proposed transaction is unlikely to substantially prevent or lessen competition in any relevant market. No other public interest issues arise.
- [31] We, accordingly, approved the proposed transaction on the basis of the condition in **Annexure A** attached to our order dated 14 March 2025.

Signed by: Imraan Valodia
Signed at: 2025-04-04 16:52:58 +02:00
Reason: Witnessing Imraan Valodia



Professor Imraan Valodia

04 April 2025

Date

Ms Andiswa Ndoni and Advocate Geoff Budlender SC concurring.

Tribunal Case Manager:	Sinethemba Mbeki
For the Merging Parties:	Wade Graaff, Derushka Chetty, and Sphiwe Dlamini of ENSAfrica
For the Commission:	Mishkah Abdool Sattar and Betty Mkatshwa