

## DEPARTMENT OF ECONOMIC DEVELOPMENT

NO. 1351

17 OCTOBER 2019

## COMPETITION COMMISSION

## NOTIFICATION TO APPROVE WITH CONDITIONS THE TRANSACTION INVOLVING:

SKYBLU TECHNOLOGIES PROPRIETARY LIMITED

AND

ALTECH UEC SOUTH AFRICA PROPRIETARY LIMITED

CASE NUMBER: 2018OCT0049

The Competition Commission hereby gives notice, in terms of Rule 38 (3)(c) of the Rules for the Conduct of Proceedings in the Competition Commission, that it has approved the transaction involving the above-mentioned firms subject to conditions as set out below:

1. On 23 October 2018, the Competition Commission (the Commission) received notice of an intermediate merger whereby Skyblu Technologies (Pty) Ltd (Skyblu) intends to acquire the set top box (STB) business of Altech UEC South Africa (Pty) Ltd (Altech). Upon the implementation of the proposed transaction, Skyblu will have sole control of Altech.

**Parties and their activities**

2. The primary acquiring firm is Skyblu, a firm incorporated according to the company laws of the Republic of South Africa (South Africa). Skyblu is controlled by Smart Choice Store Company Limited (Smart Choice), a firm incorporated in Hong Kong, China. Smart Choice is in turn controlled by Shenzhen Skyworth Digital Technology Company Limited (Skyworth). Skyworth is listed on the Shenzhen Stock Exchange and is therefore not controlled by any firm.

3. Skyblu is active in the manufacture, sale and import of STBs and over-the-top (OTT) boxes in South Africa. Skyblu's parent company is a global supplier of digital TV products and services and has manufacturing facilities in China and in key regional markets all over the world.
4. The primary target firm is the STB business of Altech, a firm incorporated according to the company laws of South Africa. Altech is controlled by Altron TMT SA Group (Pty) Ltd (Altron TMT) (75%).

#### **Market definition and competition analysis**

5. The proposed merger raises a horizontal overlap between the activities of the merging parties as they are both active in the market for the manufacture and supply of Zapper STBs. The Commission found that Zapper STBs constitute a distinct product market as they are unlikely to be substitutable with any other type of audio-visual product based on price and functionality. Furthermore, the Commission found that the market for STBs is national. The Commission therefore assessed the national market for the manufacture and supply of Zapper STBs.
6. The Commission found that although the post-merger market share is high, the market share accretion is small. The Commission also found that the merging parties operate in a bidding market with infrequent tenders and sophisticated buyers. The Commission therefore concluded that the proposed merger is unlikely to change the structure of the market.
7. The Commission found that the merged entity will face competition from other suppliers and manufacturers such as Leratadima Tellumat Manufacturing (Pty) Ltd, CZ Electronics Manufacturing (Pty) Ltd, Yekani (Pty) Ltd and others.
8. Despite the above findings, the Commission also found various clauses in the supply agreement between the merging parties and a customer which raises competition concerns. The Commission therefore required the acquiring firm to remove the offending clauses from the abovementioned agreement. This requirement has been made a condition for the merger approval.

**Public Interest**

9. The merging parties submit that the proposed merger will not result in any jobs losses. The merging parties further submit that the proposed merger will save 91 jobs within Altech as Altech was likely to shut down, absent the merger.
10. Considering the above, the Commission is of the view that the proposed merger does not raise any employment concerns. Furthermore, no other public interest issues arise from the proposed merger.
11. Therefore, the Commission approves the proposed transaction with the conditions to address the competition concerns identified above.

All correspondence in relation to these conditions must be submitted to the following email address: [mergerconditions@compcom.co.za](mailto:mergerconditions@compcom.co.za).

Enquiries in this regard may be addressed to Manager: Mergers and Acquisitions Division at Private Bag X23, Lynnwood Ridge, 0040. Telephone: (012) 394 3755, or Facsimile: (012) 394 4755.