



MERGER DECISION NO 34: 2023

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

DECISION ON THE ASSESSMENT OF THE PROPOSED ACQUISITION OF THE LICENCE TO SELL AND DISTRIBUTE THE STRONGBOW BRAND AND SOME RELATED ASSETS FROM HEINEKEN BROUWERIJEN B.V BY CIDER HOUSE INVESTMENTS (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 respect of the the proposed acquisition of the licence to sell and distribute the Strongbow brand and some related assets from Heineken Brouwerijen B.V. (Heineken B.V.) by Cider House Investments (Pty) Ltd ["Cider House"]. The transaction was notified to the Authority on 23rd June 2023, and the merger assessment was completed on 13th September 2023.

It is worth mentioning that the Proposed Transaction is subsequent to the Authority's conditional approval of Heineken B.V.'s acquisition of a further interest in Namibia Breweries Ltd ("NBL") and the In-Scope Assets of Distell Group Holdings Ltd ("Distell") through Sunside Acquisitions Ltd ("the Heineken, NBL and Distell Transaction") on 4th August 2022.

The Acquiring Enterprise, Cider House, is a private company incorporated under the Laws of South Africa. Cider House is a newly established company, which is not yet operational, and it was incorporated for the purposes of the Proposed Transaction. Cider House is a joint venture between Signal Hill Products Holdings (Pty) Ltd ["Signal Hill Products] and Livor Investments (Pty) Ltd ["Livor Investments"], both South African registered entities.

Signal Hill Holdings, is a holding company of the following subsidiaries: Signal Hill Products (Pty) Ltd ["Signal Hill Products"]; Signal Hill Products Headquarters (Pty) Ltd; Stoked (Pty) Ltd owns the St Francis Brewing Co. trademark; and Signal Hill Products Holdings Africa (Pty) Ltd (all registered in South Africa), in which it holds a 100% shareholding and enjoys sole control. Livor Investments is wholly owned by Mr. Ayanda Yaya (a South African). It was established for the purposes of the Proposed Transaction.

The Target Enterprise, Heineken B.V, is a private company incorporated under the Laws of the Netherlands. Heineken B.V. is a wholly owned subsidiary of Heineken N.V., a Dutch multinational brewing company headquartered in Amsterdam, Netherlands. In Botswana, Heineken is active through a wholly owned subsidiary Heineken Botswana Proprietary Limited ("Heineken Botswana").

Relevant Markets

The Acquirer is not yet operational, and it was incorporated for the purposes of the Proposed Transaction. It is worth highlighting that post-merger, the Acquiring Firm is going to outsource the execution of the Strongbow brand to its sister company Signal Hill Products for a royalty fee. Signal Hill Products is active in the production and supply of beer, craft and FABs in South Africa. However, in Botswana it has been active in the beer industry since 2019; and it has recently launched its FAB product, KIX Spritzer in June 2023. It imports some beer brands, namely Devil's Peak and Striped Horse, to customers in Botswana from South Africa.

On the other hand, the Target Firm, is active in the production, marketing and distribution of beer and other beverage products through its subsidiaries and associated companies. It has a range of 170 beer brands and more than 300 products around the world, including both global and regional brands; under international and local brand names including, inter alia, Heineken, Amstel, Anchor, Biere Larue, Bintang, Birra Moretti, Cruzcampo, Desperados, Dos Equis, Foster's, Newcastle Brown Ale, Ochota, Primus, Sagres, Sol, Star, Strongbow, Tecate, Tiger and Zywiec.

In Botswana, the Target Entity is active through Heineken Botswana, which currently supplies international beer brands such as Heineken, Amstel and Amstel Lite, as well as a FABs brand, Strongbow (the Proposed Transaction).

It can be observed that, the Proposed Transaction does give rise to a horizontal overlap as the Strongbow license and KIX Spritzer fall under the FABs market, in Botswana. However, these two products have a negligible to no market share. Therefore, the implementation of the Proposed Transaction is expected to insignificantly alter the market structure of FABs in Botswana. The Proposed merger will transform Signal Hill products into a new moderately sized entrant in the FABs market in the form of Cider House Investments.

Competitive Analysis and Public Interest

The Authority has not established any substantial lessening of competition concerns arising as the merger is not expected to alter the market structure post implementation. 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.

The Determination

Pursuant to the provision of Section 53 of the Competition Act 2018, the Authority has decided to unconditionally approve the proposed acquisition of the licence to sell and distribute the Strongbow brand and some related assets from Heineken Brouwerijen B.V. by Cider House Investments (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 13th day of September 2023.

Nomathemba Dladla, Acting Chief Executive Officer, Competition and Consumer Authority, P/Bag 00101, Gaborone, Plot 28, Matsitama Road, Tel: 3934278 Fax: 3121013.