



THE ACQUISITION OF 100% OF THE SHARES OF ARTCAFFÉ COFFEE & BAKERY LIMITED BY ARTCAFFÉ GROUP

1. The Competition Authority of Kenya (CAK) **approved** the acquisition of 100% of the ordinary shares of Artcaffé Coffee & Bakery Limited by Artcaffé Group.
2. Artcaffé Group, is wholly owned by Emerging Capital Partners (ECP) Fund IV which has operations in Kenya through minimal shareholding in several entities.
3. Artcaffé Coffee & Bakery Limited, the target, is incorporated in Kenya and provides restaurant services through 23 outlets in Nairobi.
4. The proposed transaction involves the transfer of 100% ordinary shares of Artcaffé Coffee & Bakery Limited to the Artcaffé Group.
5. The proposed transaction qualified as a merger within the meaning of Section 2 and 41 of the Competition Act No.12 of 2010.
6. The combined turnover of the parties is over **Ksh. 1 Billion for the preceding year (2017)** qualifies the transaction for full merger analysis as provided in the **Merger Threshold Guidelines**.
7. ECP Fund IV has investments in logistics, flour milling and distribution, and importation and sale of Liquefied Petroleum Gas (LPG). Artcaffé Coffee & Bakery Limited is involved in the business of providing bakery services, different coffee drinks, signature cocktails and casual dining services.
8. There is no overlap in the activities of the parties and, therefore, the **relevant product market** within which the transaction was analyzed was the market for provision of restaurant services. Restaurants are commercial operations that prepare and serve foods and drinks for consumption on-site or off-site.
9. Artcaffé Coffee & Bakery Limited has outlets spread in Westlands, Hurlingham, Lavington, Lang'ata, Ngong, Karen, Runda, Parklands, Kasarani, Kilimani, and in the Nairobi Central Business District. Therefore, the relevant **geographic market** is Nairobi.

10. In Nairobi, there are many commercial enterprises in the market for **provision of restaurant services**, often located within close proximity of each other and offering a broad range of foods and beverages, many of which are substitutes.
11. As a consequence of this proximity, consumers are able to move freely between different outlets. Most of these establishments operate several branches in Nairobi boosting accessibility and choice for consumers.
12. Some of the restaurant operators in Nairobi include; Nairobi Java House, Kaldis Coffee House, Gibsons Coffee House, The Mug, Pete Café & Burrito Haven, Jade Coffee & Tea House, Four Café Bistro, Innscor Kenya, Subway, and KFC among others. Java House is the leading market player with 42 establishments in Nairobi.
13. Post-merger, the market share of the merged entity will not change since the acquirer does not have a similar business in Nairobi.
14. Further, the Authority is of the view that Artcaffé Group's business will face competition from other restaurant operators, including retail supermarkets which operate eateries.
15. From the foregoing, the Authority is of the view that proposed transaction is unlikely to lessen or prevent competition in the relevant product market for provision of restaurant services in Nairobi.
16. The proposed acquisition is also unlikely to result in any negative public interest concerns.
17. Premised on the fact that the transaction is unlikely to raise **negative competition or public interest concerns**, the Authority approved the **acquisition of 100% of the ordinary shares of Art-café Coffee & Bakery Limited** by Artcaffé Group.