



PROPOSED INVESTMENT BY TUNZA HEALTH INVESTMENT LIMITED IN PYRAMID HEALTHCARE LIMITED

1. The Competition Authority of Kenya (CAK) has approved the acquisition of 20.4% shareholding in Pyramid Healthcare Limited by Tunza Health Investment with certain veto rights.
2. Tunza Health Investment Limited (Tunza), the acquiring undertaking, is a Special Purpose Vehicle (SPV), by Leapfrog PE Fund, incorporated solely as a holding company for the purpose of the proposed transaction.
3. Leapfrog PE Fund is an investment firm with interests in healthcare products and services, insurance products and financial tools such as savings and investment products.
4. The Fund has invested in Goodlife Pharmacy Limited (Goodlife) Kenya which is involved in the wholesale and retail distribution of pharmaceutical products and beauty products nationally. The Fund also has controlling stakes in Resolution Group Limited and Jumo World Kenya Services Limited (formerly AFB Kenya Limited).
5. Being a PE Fund and guided by the Doctrine of Single Economic Entity, the Authority considered Tunza, and the other investments Leapfrog PE Fund controls in Kenya, as one economic unit, despite their individual corporate identities. Therefore, for purposes of analysing and calculation of the relevant turnover for the proposed transaction, Leapfrog PE Fund's investments in Kenya for 2017 were considered.
6. Pyramid Healthcare Limited (Pyramid Healthcare), the target undertaking, is involved in importation and distribution of diagnostic/laboratory equipment, medical/surgical equipment and supplies, and imaging equipment.
7. Its local subsidiary distributes diagnostics products; laboratory items, medical and surgical products; cardiac devices to both public and private hospitals in Kenya.
8. The proposed transaction is an acquisition of 20.4% shareholding and certain veto rights in Pyramid Healthcare by Tunza Health investment. The proposed transaction qualified as a merger within the meaning of Section 2 and 41 of the Competition Act No.12 of 2010.
9. The combined turnover of the parties was over **Ksh. 1 Billion for the preceding year (2017)** and, therefore, the transaction meets the threshold for full merger analysis as provided in the **Merger Threshold Guidelines**.

10. Leapfrog PE Fund is an equity investor in healthcare products and services. Its Kenyan subsidiary, Goodlife, is involved in the wholesale and retail distribution of pharmaceuticals and beauty products.
11. Pyramid Healthcare is involved in the importation and distribution of; diagnostics and laboratory equipment, medical and surgical equipment and imaging equipment in both public and private hospitals in Kenya.
12. The Authority's view is that there are no market overlaps in the highly specialized activities of the target and the acquirer. For purposes of analysing the proposed transaction, the Authority defined the relevant product market as the market for hospital equipment.
13. Pyramid Healthcare distributes equipment to hospital throughout the country. Therefore, the relevant geographic market is national.
14. According to the BMI 2017, Kenya's relies heavily on imports for its hospital equipment. The approximate value of imported hospital equipment in 2016 was KES 30,097,000,000. The major import source points are; China, Germany, India, Netherlands, and the United States.
15. Based on the BMI report, Pyramid Healthcare's market share, as a contribution to the total market supply, was 0.871%. Leapfrog PE Fund did not have a comparative market share since it does not deal in supply of hospital equipment.
16. Most of the suppliers of medical equipment also supply surgical equipment. Some of them are; Surgipharm, Alpha Surgical Supplies Limited, Saima Surgical Supplies Limited, Barfield Hospital Supplies Limited, Trauma Surgicals and Healthcare, Seropharm East Africa Limited, City Interscope Supplies, Monks Medicare Africa Limited and Pyramid Pharma Kenya.
17. It is the Authority's view that, post-merger, the market structure and concentration of the market for pharmaceutical products and medical equipment will not be affected since there is no overlap in the products of the acquirer and the target.
18. From the foregoing, the proposed transaction is unlikely to substantially lessen or prevent competition in the market for hospital equipment in Kenya.
19. With regard to public interest issues, the proposed transaction will not result in any negative concerns.
20. Premised on the fact that the transaction is unlikely to raise **negative competition or public interest concerns**, the Authority approved the **proposed investment by Tunza Health Investment Limited in Pyramid Healthcare Limited.**